

Thanachart Capital Public Company Limited
and its subsidiaries
Report and financial statements
30 June 2019

Independent Auditor's Report

To the Shareholders of Thanachart Capital Public Company Limited

Report on Audit of Financial Statements

Opinion

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 30 June 2019, their financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions 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.

Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy on the measurement of buildings, from cost method to revaluation method. My opinion is not qualified in respect of this matter.

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 11 to the consolidated financial statements, as at 30 June 2019 the Group had loans to customers of Baht 839,553 million (accounting for 78% of total assets) and allowance for doubtful accounts amounting to Baht 23,121 million, which are material amounts. The allowance for doubtful accounts is estimated based on criteria established by the Bank of Thailand and relies on various assumptions. Therefore, the management is required to exercise considerable judgment in determining the assumptions to be used. Because the allowance for doubtful accounts is material and estimated based on judgement, I addressed the adequacy of allowance for doubtful accounts as a key audit matter.

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

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

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

Recognition of interest income

For the six-month period ended 30 June 2019, the Group recognised interest income on loans to customers amounting to Baht 22,891 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 30 June 2019, goodwill of Baht 17,867 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 27 to the consolidated financial statements, as at 30 June 2019, the Company and its subsidiaries have life policy reserves of Baht 7,591 million and outstanding claims from insurance contracts of Baht 1,868 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Review Report of Interim Financial Information

I have reviewed the accompanying consolidated statements of comprehensive income and notes to the consolidated financial statements for the three-month period ended 30 June 2019 ("interim financial information") of Thanachart Capital Public Company Limited and its subsidiaries, and I also reviewed the interim separate financial information of Thanachart Capital Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 26 August 2019

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2019

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2019	2018	2019	2018
Assets					
Cash		8,759,607	11,021,897	-	-
Interbank and money market items - net	7	89,535,232	99,117,357	219,701	23,512
Derivatives assets	8	3,815,208	2,005,388	-	-
Investments - net	9	175,885,792	170,436,987	5,325,280	1,855,854
Investments in subsidiary and associated companies - net	10	3,256,129	3,026,903	33,166,944	33,166,944
Loans to customers and accrued interest receivables	11				
Loans to customers		839,553,165	820,771,229	962,029	1,466,959
Accrued interest receivables		635,358	656,970	2	2
Total loans to customers and accrued interest receivables		840,188,523	821,428,199	962,031	1,466,961
Less: Deferred revenue		(69,805,707)	(66,158,693)	(2,061)	(2,117)
Allowance for doubtful accounts	12	(23,120,931)	(24,144,379)	(74,037)	(86,371)
Revaluation allowance for debt restructuring	13	(358)	(603)	-	-
Net loans to customers and accrued interest receivables		747,261,527	731,124,524	885,933	1,378,473
Customers' liability under acceptances		944	9,164	-	-
Property foreclosed - net	15	5,755,865	4,822,435	1,669,284	851,814
Land, premises and equipment - net	16	10,899,623	8,042,888	77,142	38,623
Intangible assets - net	17	1,660,097	1,850,151	689	759
Goodwill	18	17,867,007	17,799,200	-	-
Deferred tax assets	19	697,231	779,113	-	-
Receivables from purchase and sale of securities	20	5,423,222	2,639,539	-	289,344
Other assets - net	21	7,707,893	8,253,626	66,158	38,254
Total assets		1,078,525,377	1,060,929,172	41,411,131	37,643,577

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2019

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2019	2018	2019	2018
Liabilities and equity					
Deposits	22	724,522,939	751,916,956	-	-
Interbank and money market items	23	80,597,333	71,922,702	-	-
Liability payable on demand		1,873,732	1,163,165	-	-
Derivatives liabilities	8	2,969,192	2,097,019	-	-
Debts issued and borrowings	24	79,128,214	55,012,914	15,648,049	12,200,000
Bank's liability under acceptances		944	9,164	-	-
Provisions	25	4,652,603	3,914,644	39,769	28,683
Deferred tax liabilities	19	2,482,323	1,402,533	137,833	133,868
Accrued interest payables	26	2,039,775	2,276,928	89,005	89,756
Insurance contracts liabilities	27	13,865,765	14,061,571	-	-
Payables from purchase and sale of securities	28	3,478,513	1,324,840	189,652	192,451
Other liabilities	29	17,481,346	17,908,473	889,126	315,569
Total liabilities		933,092,679	923,010,909	16,993,434	12,960,327

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2019

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June	31 December	30 June	31 December
		2019	2018	2019	2018
Equity					
Share capital	30				
Registered, issued and paid-up					
13,156 preferred shares of Baht 10 each					
(31 December 2018 : 13,216 preferred shares of Baht 10 each)		132	132	132	132
1,165,116,547 common shares of Baht 10 each					
(31 December 2018 : 1,165,116,487 common shares of Baht 10 each)		11,651,165	11,651,165	11,651,165	11,651,165
		11,651,297	11,651,297	11,651,297	11,651,297
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	31	4,339,000	2,352,253	548,472	531,430
Retained earnings					
Appropriated - statutory reserve	32	1,277,830	1,277,830	1,277,830	1,277,830
- treasury share reserve		999,964	764,980	999,964	764,980
Unappropriated		50,258,133	48,388,381	8,874,453	9,157,048
Less: Treasury shares - common shares	30	(999,964)	(764,980)	(999,964)	(764,980)
Equity attributable to owners of the Company		69,591,905	65,735,406	24,417,697	24,683,250
Non-controlling interests		75,840,793	72,182,857	-	-
Total equity		145,432,698	137,918,263	24,417,697	24,683,250
Total liabilities and equity		1,078,525,377	1,060,929,172	41,411,131	37,643,577

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

Directors

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 30 June 2019

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Profit or loss					
Interest income	35	12,321,654	11,542,017	25,986	18,515
Interest expenses	36	(4,249,259)	(3,918,008)	(125,882)	(143,104)
Net interest income		8,072,395	7,624,009	(99,896)	(124,589)
Fees and service income		2,448,405	2,439,222	79	165
Fees and service expenses		(868,281)	(866,850)	(261)	(232)
Net fees and service income	37	1,580,124	1,572,372	(182)	(67)
Gains on trading and foreign exchange transactions	38	207,451	14,954	-	-
Gains on investments	39	112,125	392,269	3,121	25,072
Share of profit from investments accounted for under equity method		80,363	101,272	-	-
Gains on property foreclosed and other assets		206,097	288,071	179,084	16,293
Insurance/Life insurance income	40	1,904,228	1,893,705	-	-
Dividend income		236,756	250,637	1,802,992	1,616,034
Other operating income		388,733	347,294	16,309	17,408
Total operating income		12,788,272	12,484,583	1,901,428	1,550,151
Insurance/Life insurance expenses	41	(1,307,584)	(1,129,232)	-	-
Net operating income		11,480,688	11,355,351	1,901,428	1,550,151
Other operating expenses					
Employee's expenses		3,519,202	2,856,122	42,066	30,793
Directors' remuneration	42	68,695	64,850	34,062	29,132
Premises and equipment expenses		663,040	653,496	4,950	4,788
Taxes and duties		176,737	186,981	489	87
Other expenses		1,366,806	1,384,044	18,726	14,239
Total other operating expenses		5,794,480	5,145,493	100,293	79,039
Impairment loss of loans and debt securities (reversal)	43	951,540	1,447,586	(7,974)	1,380
Profit before income tax		4,734,668	4,762,272	1,809,109	1,469,732
Income tax	19.2	(928,096)	(620,709)	192	94
Profit for the period		3,806,572	4,141,563	1,809,301	1,469,826

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the three-month period ended 30 June 2019

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Other comprehensive income	44				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale investments		474,122	(1,505,366)	(22,421)	(37,458)
Share of other comprehensive loss of an associate		(4,562)	(30,326)	-	-
Income tax relating to components of other comprehensive income (loss)		(99,971)	302,559	4,484	7,491
		<u>369,589</u>	<u>(1,233,133)</u>	<u>(17,937)</u>	<u>(29,967)</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation of assets	4	3,285,621	-	39,830	-
Share of other comprehensive income of an associate		255,815	-	-	-
Actuarial losses on defined benefit plan		(4,616)	-	-	-
Income tax relating to components of other comprehensive income (loss)		(669,851)	-	(7,966)	-
		<u>2,866,969</u>	<u>-</u>	<u>31,864</u>	<u>-</u>
Total other comprehensive income (loss)		<u>3,236,558</u>	<u>(1,233,133)</u>	<u>13,927</u>	<u>(29,967)</u>
Total comprehensive income		<u>7,043,130</u>	<u>2,908,430</u>	<u>1,823,228</u>	<u>1,439,859</u>
Profit attributable to					
The Company		1,899,079	2,050,981	1,809,301	1,469,826
Non-controlling interests		1,907,493	2,090,582	-	-
		<u>3,806,572</u>	<u>4,141,563</u>	<u>1,809,301</u>	<u>1,469,826</u>
Total comprehensive income attributable to					
The Company		3,616,528	1,400,652	1,823,228	1,439,859
Non-controlling interests		3,426,602	1,507,778	-	-
		<u>7,043,130</u>	<u>2,908,430</u>	<u>1,823,228</u>	<u>1,439,859</u>
Earnings per share of the Company	45				
Basic earnings per share (Baht per share)		1.66	1.76	1.58	1.26
Diluted earnings per share (Baht per share)		1.66	1.76	1.58	1.26

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the six-month period ended 30 June 2019

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

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2019	2018	2019	2018
Profit or loss					
Interest income	35	24,385,212	22,872,493	46,155	35,882
Interest expenses	36	(8,390,988)	(7,792,128)	(246,297)	(285,244)
Net interest income		15,994,224	15,080,365	(200,142)	(249,362)
Fees and service income		4,815,909	5,047,002	240	209
Fees and service expenses		(1,849,344)	(1,769,039)	(288)	(252)
Net fees and service income	37	2,966,565	3,277,963	(48)	(43)
Gains on trading and foreign exchange transactions	38	369,547	167,452	-	-
Gains on investments	39	437,197	859,539	28,507	43,238
Share of profit from investments accounted for under equity method		139,680	178,826	-	-
Gains on property foreclosed and other assets		201,184	270,971	178,682	18,729
Insurance/Life insurance income	40	3,877,965	3,825,546	-	-
Dividend income		355,896	344,170	1,887,007	1,778,989
Other operating income		937,199	702,842	31,505	30,039
Total operating income		25,279,457	24,707,674	1,925,511	1,621,590
Insurance/Life insurance expenses	41	(2,648,308)	(2,392,879)	-	-
Net operating income		22,631,149	22,314,795	1,925,511	1,621,590
Other operating expenses					
Employee's expenses		6,516,207	5,800,136	71,217	60,810
Directors' remuneration	42	84,436	77,173	38,167	32,682
Premises and equipment expenses		1,288,957	1,302,380	9,543	9,810
Taxes and duties		358,948	367,107	1,026	510
Other expenses		2,598,050	3,026,247	33,357	25,287
Total other operating expenses		10,846,598	10,573,043	153,310	129,099
Impairment loss of loans and debt securities (reversal)	43	1,942,817	2,879,060	(12,506)	3,502
Profit before income tax		9,841,734	8,862,692	1,784,707	1,488,989
Income tax	19.2	(1,974,678)	(808,380)	372	189
Profit for the period		7,867,056	8,054,312	1,785,079	1,489,178

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the six-month period ended 30 June 2019

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Other comprehensive income	44				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale investments		1,294,925	(1,544,193)	(18,144)	(67,186)
Share of other comprehensive loss of an associate		(38,017)	(25,228)	-	-
Income tax relating to components of other comprehensive income (loss)		(296,041)	310,223	3,629	13,437
		<u>960,867</u>	<u>(1,259,198)</u>	<u>(14,515)</u>	<u>(53,749)</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation of assets	4	3,285,621	-	39,830	-
Share of other comprehensive income (loss) of an associate		255,847	(158)	-	-
Actuarial losses on defined benefit plan		(5,628)	-	-	-
Income tax relating to components of other comprehensive income (loss)		(669,915)	(2)	(7,966)	-
		<u>2,865,925</u>	<u>(160)</u>	<u>31,864</u>	<u>-</u>
Total other comprehensive income (loss)		<u>3,826,792</u>	<u>(1,259,358)</u>	<u>17,349</u>	<u>(53,749)</u>
Total comprehensive income		<u>11,693,848</u>	<u>6,794,954</u>	<u>1,802,428</u>	<u>1,435,429</u>
Profit attributable to					
The Company		3,914,750	3,949,665	1,785,079	1,489,178
Non-controlling interests		3,952,306	4,104,647	-	-
		<u>7,867,056</u>	<u>8,054,312</u>	<u>1,785,079</u>	<u>1,489,178</u>
Total comprehensive income attributable to					
The Company		5,924,544	3,273,677	1,802,428	1,435,429
Non-controlling interests		5,769,304	3,521,277	-	-
		<u>11,693,848</u>	<u>6,794,954</u>	<u>1,802,428</u>	<u>1,435,429</u>
Earnings per share of the Company	45				
Basic earnings per share (Baht per share)		3.42	3.39	1.56	1.28
Diluted earnings per share (Baht per share)		3.42	3.39	1.56	1.28

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows

For the six-month period ended 30 June 2019

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax	9,841,734	8,862,692	1,784,707	1,488,989
Adjustments to reconcile profit before income tax				
to net cash provided by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(139,680)	(178,826)	-	-
Depreciation and amortisation	710,296	740,989	3,398	4,041
Impairment loss of loans and debt securities (reversal)	1,942,817	2,879,060	(12,506)	3,502
Increase in provisions	1,101,650	791,966	11,086	880
Decrease in allowance for impairment of property foreclosed	(49,220)	(111,245)	(25,008)	(22,734)
Increase (decrease) in allowance for impairment of equipment / other assets	(16,186)	5,459	(1)	(14)
Reversal of loss from revaluation on land and premises	(4,226)	-	-	-
Interest income and gain from assets transferred for debt settlement	(3,963)	(709)	-	-
Unrealised loss (gain) from change in value of investments /				
allowance for impairment of investments	(143,823)	150,695	-	-
Gain from disposal of investment in an associated company	-	(37,890)	-	(24,874)
Unrealised loss (gain) on exchange	(98,429)	263,599	-	-
Loss (gain) on disposal of premises and equipment / intangible assets	1,127	(3,418)	(41)	(1,321)
Decrease (increase) in accrued other income receivable	414,289	4,858	-	(5,100)
	13,556,386	13,367,230	1,761,635	1,443,369
Net interest income	(15,994,224)	(15,080,365)	200,142	249,362
Dividend income	(355,896)	(344,170)	(1,887,007)	(1,778,989)
Cash received from interest on operating activities	23,206,405	21,591,046	36,433	23,829
Cash paid for interest on operating activities	(7,398,374)	(6,519,417)	-	-
Cash paid for income tax	(1,020,276)	(611,056)	(3,474)	(1,610)
Income from operating activities before				
changes in operating assets and liabilities (loss)	11,994,021	12,403,268	107,729	(64,039)

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 2019

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash flows from operating activities (continued)				
Decrease (increase) in operating assets				
Interbank and money market items	9,575,108	(25,374,974)	(196,157)	(8,132)
Derivative assets	526,035	1,031,868	-	-
Investments in trading securities	(15,043,092)	3,170,844	-	-
Loans to customers	(22,042,990)	(17,304,054)	504,919	(196,858)
Property foreclosed	2,902,751	2,927,928	(792,462)	30,501
Receivables from purchase and sale of securities	(2,783,683)	(4,454,835)	289,344	(836)
Other assets	152,052	(1,285,807)	(27,422)	(6,306)
Increase (decrease) in operating liabilities				
Deposits	(27,394,017)	17,873,779	-	-
Interbank and money market items	9,065,354	(3,717,661)	-	-
Liability payable on demand	710,567	(137,209)	-	-
Derivatives liabilities	(551,290)	(1,042,859)	-	-
Payables from purchase and sales of securities	2,153,673	302,026	(2,799)	-
Insurance contract liabilities	(195,805)	(733,748)	-	-
Other liabilities	(1,706,142)	(1,762,589)	573,558	14,865
Net cash flows from (used in) operating activities	(32,637,458)	(18,104,023)	456,710	(230,805)
Cash flows from investing activities				
Decrease (increase) in investments in securities	10,239,300	14,226,627	(3,481,918)	713,274
Cash received from disposal of investment in an associated company	-	58,449	-	29,423
Cash received from interest	1,056,117	1,628,841	4,991	12,308
Cash received from dividend	484,666	469,667	1,887,007	1,778,989
Cash paid for purchase of premises and equipment/intangible assets	(181,198)	(158,063)	(1,735)	(144)
Cash received from disposal of premises and equipment	2,409	5,652	41	1,820
Net cash flows from (used in) investing activities	11,601,294	16,231,173	(1,591,614)	2,535,670

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 2019

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash flows from financing activities				
Cash received from debts issued and borrowings	45,300,814	7,792,545	3,943,851	-
Cash paid for debts issued and borrowings	(21,185,514)	(4,470,759)	(500,000)	(500,000)
Cash paid for treasury shares	(234,984)	-	(234,984)	-
Cash paid for interest expenses on debt issued and borrowings	(1,162,082)	(1,111,133)	(240,966)	(290,249)
Cash paid for dividend	(1,832,997)	(1,514,616)	(1,832,997)	(1,514,616)
Cash paid for dividend to non-controlling interests	(2,111,363)	(1,634,036)	-	-
Net cash flows from (used in) financing activities	18,773,874	(937,999)	1,134,904	(2,304,865)
Net decrease in cash	(2,262,290)	(2,810,849)	-	-
Cash at beginning of the period	11,021,897	11,453,283	-	-
Cash at end of the period	8,759,607	8,642,434	-	-

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans to customers

and investments in receivables purchased

3,654,122	2,635,966	-	-
-----------	-----------	---	---

Bad debt written-off

2,339,799	2,829,206	-	-
-----------	-----------	---	---

Payable from purchase of assets

26,231	20,734	-	-
--------	--------	---	---

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity

For the six-month period ended 30 June 2019

(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				Share of surplus from		Retained earnings			Treasury shares	Non-controlling interests	Total	
			Share premium of a subsidiary	in subsidiary lower than attributable net book value	Revaluation surplus on investments - net	Revaluation surplus on assets	Share of other comprehensive income (loss) of an associate	the change in the ownership interests in subsidiaries of an associate	Appropriated						
Preferred shares	Common shares									Statutory reserve	Treasury shares reserve	Unappropriated			
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
Dividend paid (Note 34)	-	-	-	-	-	-	-	-	-	-	-	(1,514,669)	-	-	(1,514,669)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	53	-	-	53
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,634,036)	(1,634,036)
Transfer to retained earnings	-	-	-	-	-	-	(2,465)	(2,229)	(455)	-	-	5,149	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,949,665	-	4,104,647	8,054,312
Other comprehensive income for the period (loss)	-	-	-	-	-	(655,665)	-	(20,323)	-	-	-	-	-	(583,370)	(1,259,358)
Balance as at 30 June 2018	132	12,064,665	2,065,645	775,814	226,460	322,249	639,082	363,404	59,264	1,277,830	1,399,914	45,984,918	(1,399,914)	69,937,111	133,716,574
Balance as at 1 January 2019	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
Dividend paid (Note 34)	-	-	-	-	-	-	-	-	-	-	-	(1,833,060)	-	-	(1,833,060)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	63	-	-	63
Cash payment for treasury shares (Note 30)	-	-	-	-	-	-	-	-	-	-	-	-	(234,984)	-	(234,984)
Transfer of retained earnings to treasury shares reserve	-	-	-	-	-	-	-	-	-	-	234,984	(234,984)	-	-	-
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,111,363)	(2,111,363)
Surplus from the change in the ownership interests in subsidiaries of an associate	-	-	-	-	-	-	-	-	(64)	-	-	-	-	(5)	(69)
Transfer to retained earnings	-	-	-	-	-	-	(21,552)	(4,301)	-	-	-	25,853	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,914,750	-	3,952,306	7,867,056
Other comprehensive income for the period (loss)	-	-	-	-	-	520,768	1,348,170	143,726	-	-	-	(2,870)	-	1,816,998	3,826,792
Balance as at 30 June 2019	132	11,651,165	2,065,645	775,814	230,085	872,228	1,947,500	454,299	59,074	1,277,830	999,964	50,258,133	(999,964)	75,840,793	145,432,698

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the six-month period ended 30 June 2019

(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	Unappropriated	Treasury shares	Total
				investments - net	assets	reserve	reserve			
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 34)	-	-	-	-	-	-	-	(1,514,669)	-	(1,514,669)
Reversal of dividend on shares held by shareholders										
who are not entitled to receive dividend	-	-	-	-	-	-	-	53	-	53
Profit for the period	-	-	-	-	-	-	-	1,489,178	-	1,489,178
Other comprehensive income for the period (loss)	-	-	-	(53,749)	-	-	-	-	-	(53,749)
Balance as at 30 June 2018	132	12,064,665	2,065,645	527,837	12,278	1,277,830	1,399,914	8,846,092	(1,399,914)	24,794,479
Balance as at 1 January 2019	132	11,651,165	2,065,645	519,152	12,278	1,277,830	764,980	9,157,048	(764,980)	24,683,250
Dividend paid (Note 34)	-	-	-	-	-	-	-	(1,833,060)	-	(1,833,060)
Reversal of dividend on shares held by shareholders										
who are not entitled to receive dividend	-	-	-	-	-	-	-	63	-	63
Cash payment for treasury shares (Note 30)	-	-	-	-	-	-	-	-	(234,984)	(234,984)
Transfer of retained earnings to treasury shares reserve	-	-	-	-	-	-	234,984	(234,984)	-	-
Transfer to retained earnings	-	-	-	-	(307)	-	-	307	-	-
Profit for the period	-	-	-	-	-	-	-	1,785,079	-	1,785,079
Other comprehensive income for the period (loss)	-	-	-	(14,515)	31,864	-	-	-	-	17,349
Balance as at 30 June 2019	132	11,651,165	2,065,645	504,637	43,835	1,277,830	999,964	8,874,453	(999,964)	24,417,697

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

Thanachart Capital Public Company Limited and its subsidiaries

Notes to financial statements

For the six-month period ended 30 June 2019

1. General information

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

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

2. Basis of preparation of the financial statements

- 2.1** These financial statements for the six-month period ended 30 June 2019 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 4 December 2015.

The statement of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2019 are prepared in accordance with Thai Accounting Standard No. 34 (revised 2018) “Interim Financial Reporting”, whereby the Company chooses to present the statement of comprehensive income and notes to the financial statements in the same full format as that used for the annual financial statements.

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

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

2.2 Basis of preparation of the consolidated financial statements

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

	Nature of business	Percentage of holding		Percentage of holding	
		by the Company		by the subsidiaries	
		30 June	31 December	30 June	31 December
		2019	2018	2019	2018
<u>Subsidiaries directly held by the Company</u>					
Thanachart Bank Plc.	Commercial bank	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	Non-performing asset management	100.00	100.00	-	-
Max Asset Management Co., Ltd.	Non-performing asset management	83.44	83.44	-	-
NASSET Property Fund 6	In liquidation process	99.80	99.80	0.06	0.06
MBK Life Assurance Plc.	Life insurance	51.00	51.00	-	-
TM Broker Co., Ltd.	Life insurance/non-life insurance broker	51.00	51.00	-	-
MT Service 2016 Co., Ltd.	Service	51.00	51.00	-	-
<u>Subsidiaries indirectly held by the Company</u>					
Thanachart Securities Plc.	Securities business	-	-	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	Life insurance/non-life insurance broker	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	Training services	-	-	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	-	-	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	-	-	65.18	65.18
Security Scib Services Co., Ltd.	Service	-	-	100.00	100.00
RTN Insurance Broker Co., Ltd.	Life insurance/non-life insurance broker	-	-	65.18	65.18

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 30 June 2019 and 31 December 2018 and for the six-month periods ended 30 June 2019 and 2018, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income for the six-month periods ended 30 June	
	30 June	31 December		
	2019	2018	2019	2018
Thanachart Bank Plc.	983,107	973,716	17,369	16,767
MBK Life Assurance Plc.	8,941	9,287	(34)	99
Thanachart Insurance Plc.	14,007	13,695	1,603	1,638
Thanachart Securities Plc.	10,637	8,509	610	931
TS Asset Management Co., Ltd.	1,470	2,066	(27)	63
Ratchthani Leasing Plc.	49,659	47,124	1,509	1,399
Thanachart Fund Management Co., Ltd.	588	630	895	946
NFS Asset Management Co., Ltd.	802	936	160	104

- 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

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

During the period, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are 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
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer 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 TFRS 15 to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

Financial reporting standards 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

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.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

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

4. Change in accounting policy relating to the valuation of buildings from cost method to revaluation method.

During the period, the Company and its subsidiaries reviewed and changed their accounting policy for recording the value of buildings from the cost method to the revaluation method, under which value is the fair value of the asset at the valuation date appraised by an independent professional appraiser.

In making the changes in accounting policy, the Company and its subsidiaries adopted TAS 8. This is considered to be a revaluation of assets in accordance with TAS 16 Property, Plant and Equipment, which does not require the change to be applied retroactively. Therefore, the Company and its subsidiaries have applied the change prospectively.

The amounts of adjustments affecting the statements of financial position as at 30 June 2019 and the statements of comprehensive income for the three-month and six-month periods then ended are as follows.

	(Unit: Million Baht)	
	30 June 2019	
	Consolidated	Separate
	financial statements	financial statements
The statements of financial position:		
Investment in associated increase	229	-
Land, premises and equipment - net increase	1,552	35
Deferred income tax liabilities increase	322	7
Retained earnings - unappropriated decrease	1	-
Other components of equity increase	808	28
Increase in non-controlling interests of subsidiaries companies	652	-

(Unit: Million Baht)

For the three-month and six-month periods
ended 30 June 2019

	Consolidated financial statements	Separate financial statements
The statements of comprehensive income:		
Profit or loss		
Premises and equipment expenses increase	54	-
Share of profit from investments accounted for under equity method decrease	6	-
Income tax decrease	11	-
Decrease in profit attributable to the company	27	-
Decrease in non-controlling interests of subsidiaries companies	22	-
Other comprehensive income		
Surplus on revaluation of assets increase	1,606	35
Share of other comprehensive income of associate increase	235	-
Income tax relating to components of other comprehensive income increases	333	7
Other comprehensive income of the company increases	834	28
Other comprehensive income of non-controlling interests increases	674	-
Earnings per share of the Company		
Basic earnings per share decrease (Baht per share)	0.02	-
Diluted earnings per share decrease (Baht per share)	0.02	-

5. Significant accounting policies

5.1 Revenue recognition

a) Interest and discounts on loans

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

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

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

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

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

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

b) Interest and dividends on investments

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

c) Brokerage fee income

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

d) Interest on margin loans for purchase of securities

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

e) Gains (losses) on investments and derivatives

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

f) Fees and service income

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

5.2 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.

5.3 Investments

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

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

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

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

The fair value of marketable securities is based on the latest bid price of the last working day of the period. The fair value of debt securities is determined using the yield rates quoted

by the Thai Bond Market Association, other markets, or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined from their net asset value.

The 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.

5.4 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.

5.5 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.

5.6 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".

5.7 Allowances for doubtful accounts

a) Allowance for doubtful accounts for loans

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

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

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

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

5.8 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.

5.9 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.

5.10 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.

5.11 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.

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

Buildings and building improvement	-	5 - 50 years
------------------------------------	---	--------------

Depreciation is included in determining income.

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) 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:

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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 Premium receivables and allowance for doubtful accounts

Premium receivables from direct insurance are 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 experiences and a review of current status of the premium receivables as at the end of reporting period. Increase (decrease) in allowance for doubtful account is recognised as expenses during the year.

5.19 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 related reinsurance contract 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.

5.20 Premium reserve/life insurance premium reserve

Non-life insurance contract

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

a) Unearned premium reserve

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

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

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

b) Unexpired risks reserve

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

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

Life insurance contract

Life insurance premium reserve represents the accumulated total liabilities for 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.

5.21 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 including claims handling expenses, after deducting salvage values and other recoverable values. Differences between the calculated claims reserves and the claims already recognised are recorded as incurred but not reported 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.

5.22 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.

5.23 Financial derivatives

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

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

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

5.24 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.

5.25 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.

5.26 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.

5.27 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.

5.28 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.

5.29 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.

5.30 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.

5.31 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.

6. 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:

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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 16 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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, 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.

6.12 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. Such estimates are forecasts of future outcomes, and actual result could differ.

6.13 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.

6.14 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.

7. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,789	-	5,789	6,634	-	6,634
Commercial banks	502	31,271	31,773	554	33,786	34,340
Specialised financial institutions	-	33,350	33,350	-	39,150	39,150
Other financial institutions	301	16,565	16,866	850	16,567	17,417
Total	6,592	81,186	87,778	8,038	89,503	97,541
Add: Accrued interest receivables	-	32	32	-	41	41
Less: Allowance for doubtful accounts	-	(158)	(158)	-	(161)	(161)
Total domestic items	6,592	81,060	87,652	8,038	89,383	97,421
Foreign						
US Dollar	1,480	25	1,505	1,307	30	1,337
Euro	90	-	90	70	-	70
Others	288	-	288	289	-	289
Total foreign items	1,858	25	1,883	1,666	30	1,696
Total	8,450	81,085	89,535	9,704	89,413	99,117

(Unit: Million Baht)

	Separate financial statements					
	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	220	-	220	24	-	24
Total domestic items	220	-	220	24	-	24

As at 30 June 2019, the Company had deposits with a subsidiary company of Baht 220 million in the separate financial statements (31 December 2018: Baht 24 million).

8. Derivatives

As at 30 June 2019 and 31 December 2018, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for hedging derivatives (banking book), were classified by type of risk as follows:

(Unit: Million Baht)

Types of risk	Consolidated financial statements					
	30 June 2019			31 December 2018		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	1,056	1,044	121,789	460	527	78,516
Derivatives for banking book	-	-	-	2	-	137
Interest rate						
Derivatives for trading	1,644	1,635	246,965	1,144	1,128	282,096
Derivatives for banking book	-	-	21,030	-	-	21,530
Foreign exchange rate and interest rate						
Derivatives for trading	237	236	4,861	111	104	5,014
Derivatives for banking book	876	10	16,510	284	334	17,426
Others						
Derivatives for trading	2	44	2,308	4	4	1,216
Total	3,815	2,969	413,463	2,005	2,097	405,935

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

Derivatives for hedging (banking book) are obligations under contracts which are not held for trading, and are measured on an accrual basis. Gain (loss) on exchange at the end of the period is presented under derivatives assets/derivatives liabilities. Accrued interest receivables/payables per the contracts are recorded as accrued interest receivables 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 30 June 2019 and 31 December 2018.

Counterparty	Consolidated financial statements	
	30 June 2019	31 December 2018
	Percent	Percent
Financial institutions	89.03	93.52
Third parties	10.97	6.48
Total	100.00	100.00

9. Investments

9.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2019		31 December 2018		30 June 2019		31 December 2018	
	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	28,696	28,724	13,330	13,346	-	-	-	-
Private debt securities	2,453	2,629	3,348	3,507	-	-	-	-
Domestic marketable equity securities	1,652	1,652	1,079	958	-	-	-	-
	32,801	33,005	17,757	17,811	-	-	-	-
Add: Allowance for change in value	204		54		-		-	
Net	33,005		17,811		-		-	
Available-for-sale securities								
Government and state enterprises securities	97,626	97,687	100,199	99,910	3,976	3,976	170	170
Private debt securities	19,553	19,663	23,725	23,702	240	240	320	321
Foreign debt securities	16,474	16,615	17,385	17,203	-	-	-	-
Domestic marketable equity securities	3,064	4,313	6,025	6,793	223	851	224	877
Unit trusts	113	115	74	68	110	113	71	66
	136,830	138,393	147,408	147,676	4,549	5,180	785	1,434
Add: Allowance for change in value	1,563		268		631		649	
Net	138,393		147,676		5,180		1,434	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2019		31 December 2018		30 June 2019		31 December 2018	
	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	331	340	461	467	-	-	-	-
Private debt securities	190	218	220	247	-	-	-	-
Investment in receivables purchased	515	941	838	1,517	221	527	498	1,078
	1,036	1,499	1,519	2,231	221	527	498	1,078
Less: Allowance for impairment	(200)		(221)		(127)		(127)	
Net	836		1,298		94		371	
General investment								
Domestic non-marketable equity securities	3,684		3,684		76		76	
Foreign non-marketable equity securities	1		1		-		-	
	3,685		3,685		76		76	
Less: Allowance for impairment	(33)		(33)		(25)		(25)	
Net	3,652		3,652		51		51	
Total investments - net	175,886		170,437		5,325		1,856	

9.2 Classified by remaining period of debt securities

(Unit: Million Baht)

Consolidated financial statements										
30 June 2019						31 December 2018				
Due within						Due within				
Less						Less				
At call	than 1 year	1 - 5 years	Over 5 years	Total		At call	than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities										
Government and state enterprises securities										
	5	28,427	69,192	2	97,626	5	54,117	46,075	2	100,199
Private debt securities	-	2,255	14,168	3,130	19,553	-	2,119	16,957	4,649	23,725
Foreign debt securities	-	-	16,474	-	16,474	-	-	17,385	-	17,385
Total	5	30,682	99,834	3,132	133,653	5	56,236	80,417	4,651	141,309
Add: Allowance for change in value										
	-	(1)	277	36	312	-	7	(480)	(21)	(494)
Total	5	30,681	100,111	3,168	133,965	5	56,243	79,937	4,630	140,815
Held-to-maturity debt securities										
Government and state enterprises securities										
	-	289	-	42	331	-	419	-	42	461
Private debt securities	-	20	20	150	190	-	30	40	150	220
Investments in receivables purchased ⁽¹⁾										
	515	-	-	-	515	838	-	-	-	838
Total	515	309	20	192	1,036	838	449	40	192	1,519
Less: Allowance for impairment										
	(200)	-	-	-	(200)	(221)	-	-	-	(221)
Total	315	309	20	192	836	617	449	40	192	1,298
Total debt securities	320	30,990	100,131	3,360	134,801	622	56,692	79,977	4,822	142,113

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

(Unit: Million Baht)

Separate financial statements										
30 June 2019						31 December 2018				
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										
	-	3,976	-	-	3,976	-	170	-	-	170
Private debt securities										
	-	90	150	-	240	-	130	190	-	320
Total	-	4,066	150	-	4,216	-	300	190	-	490
Add: Allowance for change in value										
	-	-	-	-	-	-	-	1	-	1
Total	-	4,066	150	-	4,216	-	300	191	-	491
Held-to-maturity debt securities										
Investments in receivables purchased ⁽¹⁾										
	221	-	-	-	221	498	-	-	-	498
Total	221	-	-	-	221	498	-	-	-	498
Less: Allowance for impairment										
	(127)	-	-	-	(127)	(127)	-	-	-	(127)
Total	94	-	-	-	94	371	-	-	-	371
Total debt securities	94	4,066	150	-	4,310	371	300	191	-	862

(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.

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

As at 30 June 2019 and 31 December 2018, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiary or associated companies, separated by industry as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Manufacturing and commerce	1,502	1,538	746	764
Banking and finance sector	1	1	-	-
Real estate and construction	21	21	20	20

9.4 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 30 June 2019 and 31 December 2018 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Investments in receivables purchased	515	838	221	498
Less: Allowance for impairment	(200)	(221)	(127)	(127)
Investments in receivables purchased - net	315	617	94	371

	30 June 2019				31 December 2018			
	Number	Balance			Number	Balance		
	of	per	Purchase		of	per	Purchase	
	debtors	agreement	price	Yield	debtors	agreement	price	Yield
		Million	Million	Percent		Million	Million	Percent
		Baht	Baht			Baht	Baht	
<u>Consolidated financial statements</u>								
Total accumulated investments								
in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97
Outstanding investments in								
receivables purchased as at								
the end of the period / year	284	7,418	515		291	7,683	838	
<u>Separate financial statements</u>								
Total accumulated investments								
in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
Outstanding investments in								
receivables purchased as at								
the end of the period / year	193	4,746	221		193	4,749	498	

During the six-month periods ended 30 June 2019 and 2018, the Company and its subsidiaries did not enter into any debt restructuring agreements with debtors.

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 30 June 2019 and 31 December 2018, there were no outstanding restructured receivables in the investments in receivables purchased account.

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

As at 30 June 2019 and 31 December 2018, 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	
30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
		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	98 101	337	638	612	1,180	118	129

Separate financial statements							
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts	
30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
		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	64 64	96	362	324	865	59	58

10. Investments in subsidiary and associated companies

10.1 Separate financial statements

As at 30 June 2019 and 31 December 2018, investments in subsidiary and associated companies in the separate financial statements stated under the cost method consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

Company's name	Separate financial statements							
	Paid-up share capital		Percentage of holding		Value of investment under the cost method		Dividend income	
	30	31	30	31	30	31	for the six-month periods	
	June	December	June	December	June	December	ended 30 June	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>Subsidiary companies</u>								
Thanachart Bank Plc.	60,649	60,649	50.96	50.96	31,866	31,866	1,796	1,607
NFS Asset Management Co., Ltd.	175	175	100.00	100.00	175	175	-	42
MBK Life Assurance Plc.	700	700	51.00	51.00	460	460	-	-
Max Asset Management Co., Ltd.	40	40	83.44	83.44	33	33	-	38
NASSET Property Fund 6	121	121	99.80	99.80	6	6	-	-
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	1,695	10.00	10.00	591	591	64	63
Total investments in subsidiary and associated companies					33,167	33,167	1,860	1,750

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

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Dividend paid to non-controlling interests during the six-month periods ended		Profit (loss) allocated to non-controlling interests during the six-month periods ended		Other comprehensive income (loss) allocated to non-controlling interests during the six-month periods ended	
	30 June	31 December	30 June	31 December	30 June		ended 30 June		ended 30 June	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(%)	(%)								
Thanachart Bank Plc. and its subsidiaries	49.04	49.04	75,180	71,544	2,111	1,627	3,986	4,065	1,761	(566)
MBK Life Assurance Plc.	49.00	49.00	603	598	-	-	(52)	10	57	(17)

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

Summarised information about financial position

(Unit: Million Baht)

	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Total assets	1,060,346	1,046,612	9,423	9,765
Total liabilities	908,737	902,406	8,192	8,545

Summarised information about comprehensive income

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2019	2018	2019	2018
Net operating income	22,101	21,848	(37)	96
Profit for the period (loss)	7,674	7,953	(106)	21
Other comprehensive income (loss)	3,637	(1,116)	117	(35)
Total comprehensive income (loss)	11,311	6,837	11	(14)

Summarised information about cash flow

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2019	2018	2019	2018
Cash flow from (used in) operating activities	(31,788)	(19,543)	(1,269)	1,465
Cash flow from (used in) investing activities	14,038	17,001	1,268	(1,464)
Cash flow from (used in) financing activities	15,490	(271)	-	-
Net increase (decrease) in cash	(2,260)	(2,813)	(1)	1

10.4 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the six-month periods ended 30 June 2019 and 2018 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2019	2018	2019	2018	2019	2018
Cash flows from operating activities						
Profit before income tax	132	44	177	212	236	67
Adjustments to reconcile profit before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	-	(1)	(3)	(1)	-	-
Gain on disposal of investment	(138)	-	-	-	-	-
Loss on impairment of property foreclosed and other assets (reversal)	-	(1)	-	1	(1)	(21)
Impairment loss of loans and debt securities (reversal)	(1)	32	(1)	16	(294)	(32)
Others	-	-	-	-	1	-
	(7)	74	173	228	(58)	14
Net interest income	14	10	15	12	(23)	(40)
Cash received from interest	1	2	3	1	23	40
Cash paid for income tax	(1)	(3)	(7)	-	(4)	(11)
Income (loss) from operating activities before changes in operating assets and liabilities	7	83	184	241	(62)	3
Decrease (increase) in operating assets						
Investments in receivables purchased	26	8	-	69	-	-
Loans to customers	-	2	69	(147)	768	154
Property foreclosed	57	234	(11)	(99)	127	195
Other assets	1	-	1	(4)	(3)	1
Increase (decrease) in operating liabilities						
Other liabilities	(9)	19	8	(100)	10	1
Net cash flows from (used in) operating activities	82	346	251	(40)	840	354
Cash flows from investing activities						
Decrease (increase) in held-to-maturity investment	50	-	30	-	(143)	-
Cash received from disposal of investment	138	-	-	-	-	-
Net cash flows from (used in) investing activities	188	-	30	-	(143)	-

(Unit: Million Baht)

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2019	2018	2019	2018	2019	2018
Cash flows from financing activities						
Increase (decrease) in debt issued and borrowings	(260)	42	(283)	190	-	-
Cash paid for interest on borrowings	(15)	(12)	(18)	(13)	-	-
Cash paid for dividend	-	(42)	-	(46)	(250)	(250)
Net cash flows from (used in) financing activities	(275)	(12)	(301)	131	(250)	(250)
Net increase (decrease) in cash and cash equivalents	(5)	334	(20)	91	447	104
Cash and cash equivalents at beginning of the period	86	93	97	55	896	586
Cash and cash equivalents at end of the period	81	427	77	146	1,343	690

10.5 Investment in an associated company in the consolidated financial statements

As at 30 June 2019 and 31 December 2018, investment in an associated company in the consolidated financial statements, which are recorded under the equity method, consists of investment in ordinary shares of the following company which operates in Thailand:

													(Unit: Million Baht)	
Company's name	Paid-up share capital		Percentage of holding		Value of investment				Dividend income for the six-month periods ended		Share of profit for the six-month periods ended		Share of other comprehensive income for the six-month periods ended	
	30	31	30	31	Cost method ⁽¹⁾		Equity method							
	June	December	June	December	June	December	June	December	30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
MBK Plc. (operating in property rental, hotel and services businesses)	1,695	1,695	19.90	19.90	855	855	3,256	3,027	127	126	139	179	217	(25)
Total investment in an associated company					855	855	3,256	3,027	127	126	139	179	217	(25)

(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.

10.6 Summarised financial information of an associated company

- a) Summarised financial information of MBK Plc. as at 31 March 2019 and 30 September 2018, and for the six-month periods ended 31 March 2019 and 2018 are as follows:

Summarised information about financial position

	(Unit: Million Baht)	
	31 March 2019 ⁽¹⁾	30 September 2018 ⁽¹⁾
Total assets	54,620	52,119
Total liabilities	(27,766)	(27,201)
Other equity items of an associated company	282	221
Net assets	27,136	25,139
Shareholding percentage (%)	19.90	19.90
Share of net assets	5,400	5,003
Elimination entries	(2,195)	(2,027)
Goodwill	51	51
Carrying amounts of associate based on equity method	3,256	3,027

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

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the six-month periods ended 31 March ⁽¹⁾	
	2019	2018
Revenue	5,749	5,584
Profit for the period	784	1,022
Other comprehensive income	1,208	406
Total comprehensive income for the period	1,992	1,428

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

The share of profit from investment in MBK Plc. accounted for under the equity method was determined based on financial statements of MBK Plc. that were prepared for periods different from those of the Company, due to limited information available. However, they are financial statements prepared for the same length of time and based on the principle of consistency. Therefore, share of profit of the associate under the equity method for the six-month period ended 31 March 2019 was determined based on financial statements that were prepared with reference to financial statements for the six-month period ended 30 June 2019 that had been audited or reviewed by the associate's auditor and adjusted for the effect of differences in accounting policies by the Company's management. In addition, the Company's management considered that the income for the six-month period ended 31 March 2019 is not materially different from the income for the six-month period ended 30 June 2019.

b) Fair value of investment in an associated company

As at 30 June 2019 and 31 December 2018, the fair value of investment in an associated company which is listed on the Stock Exchange of Thailand is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
MBK Plc.	7,387	6,914	3,712	3,475

11. Loans to customers and accrued interest receivables

11.1 Classified by loan type

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
<u>Loans to customers</u>				
Overdrafts	15,169	16,370	-	-
Loans	271,797	273,199	37	44
Notes receivables	37,837	38,397	879	1,374
Hire purchase receivables	508,807	486,636	46	48
Financial lease receivables	2,120	2,166	-	-
Others	183	181	-	-
Less: Deferred revenues	(69,806)	(66,158)	(2)	(2)
Total loans to customers net of deferred revenues	766,107	750,791	960	1,464
Add: Accrued interest receivables	636	657	-	-
Total loans to customers and accrued interest				
receivables net of deferred revenues	766,743	751,448	960	1,464
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(7,877)	(8,564)	(74)	(86)
- Collective approach	(8,090)	(7,090)	-	-
2) Excess provision	(7,149)	(8,477)	-	-
Less: Revaluation allowance for debt restructuring	-	(1)	-	-
Loans to customers and accrued interest				
receivables - net	743,627	727,316	886	1,378
<u>Securities business receivables</u>				
Credit balances receivables	3,630	3,791	-	-
Other receivables	10	31	-	-
Total securities business receivables	3,640	3,822	-	-
Less: Allowance for doubtful accounts	(5)	(13)	-	-
Securities business receivables - net	3,635	3,809	-	-
Total loans to customers and accrued interest				
receivables - net	747,262	731,125	886	1,378

11.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	761,123	-	761,123	743,094	-	743,094
US Dollar	3,740	4,178	7,918	5,519	4,538	10,057
Other currencies	60	646	706	92	1,370	1,462
Total*	764,923	4,824	769,747	748,705	5,908	754,613

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	30 June 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	960	-	960	1,464	-	1,464
Total*	960	-	960	1,464	-	1,464

* Total loans net of deferred revenues

11.3 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2019							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	6,503	14	39	5	12	6,573	3	6,576
Manufacturing and commerce	62,699	2,298	356	605	3,827	69,785	376	70,161
Real estate and construction	45,278	148	182	109	1,465	47,182	66	47,248
Public utilities and services	51,091	1,879	272	70	561	53,873	141	54,014
Personal consuming								
Housing loans	99,679	1,343	1,322	901	2,223	105,468	72	105,540
Securities business	-	-	-	-	-	-	3,640	3,640
Hire purchase	356,701	27,115	1,698	1,528	1,595	388,637	50,552	439,189
Others	28,925	568	461	158	676	30,788	319	31,107
Others	12,044	1	17	-	210	12,272	-	12,272
Total*	662,920	33,366	4,347	3,376	10,569	714,578	55,169	769,747

* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
31 December 2018								
	The Company and subsidiary companies which are financial institutions						Other	Consolidated
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total	subsidiary companies	
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*	<u>655,777</u>	<u>27,750</u>	<u>4,656</u>	<u>3,172</u>	<u>10,500</u>	<u>701,855</u>	<u>52,758</u>	<u>754,613</u>

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
30 June 2019						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	3	3
Personal consuming						
Housing loans	6	-	3	-	7	16
Hire purchase	-	-	-	-	44	44
Others	3	-	-	-	23	26
Others	<u>871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>871</u>
Total*	<u>880</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>77</u>	<u>960</u>

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements				
	31 December 2018				
	Normal	Special mention	Substandard	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

11.4 Non-performing loans

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries (banking, securities and asset management businesses) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Non-performing loans (excluding accrued interest receivables)				
The Company	80	84	80	84
Banking business	17,220	15,881	-	-
Asset management business	992	2,363	-	-
Securities business	37	45	-	-

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	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
The Company	80	84	80	84
Banking business	23,969	21,867	-	-
Securities business	37	45	-	-

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.

11.5 Debt restructuring

During the six-month periods ended 30 June 2019 and 2018, the subsidiaries (banking and asset management) have entered into debt restructuring agreements with their debtors as follows:

Type of restructuring	Consolidated financial statements				
	For the six-month periods ended 30 June				
	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
2019					
Modification of repayment conditions	609	1,467	1,467		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	5	34	34	Land and premise thereon	38
Total	614	1,501	1,501		
2018					
Modification of repayment conditions	611	1,195	1,186		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	1	2	2	Land and premise thereon	3
Total	612	1,197	1,188		

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

Counting from the end of the period, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the six-month periods ended 30 June 2019 and 2018, are summarised below.

Periods	Consolidated financial statements			
	For the six-month periods ended 30 June			
	2019		2018	
	Number of debtors	Outstanding	Number of debtors	Outstanding
		balances after restructuring		balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	200	707	108	212
Due within the year	175	416	116	290
Less than 5 years	55	47	179	167
5 - 10 years	140	222	121	300
10 - 15 years	14	32	19	58
Over 15 years	30	77	69	161
Total	614	1,501	612	1,188

Supplemental information for the six-month periods ended 30 June 2019 and 2018 relating to restructured loans is as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Interest income recognised in the statements of comprehensive income	258	320	6	1
Gain on debt settlement/assets transferred for debt settlement	201	20	-	-
Cash repayment from receivables	1,493	1,276	12	1
Property foreclosed received for debts settlement	40	9	-	-
Loss for debt restructuring (net allowance for doubtful)	-	9	-	-

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables					
	Number of receivables		Outstanding balances		Outstanding balances, net of collateral	
	30	31	30	31	30	31
	June	December	June	December	June	December
	2019	2018	2019	2018	2019	2018
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	15	16	22	28	10	17
Thanachart Bank Plc.	5,975	6,430	8,515	7,829	1,825	1,532
TS Asset Management Co., Ltd.	25	190	266	1,926	107	1,180
Other subsidiaries	102	109	273	324	135	112

11.6 Hire purchase/financial lease receivables

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries, which are engaged in banking, hire purchases and financial leases businesses, have hire purchase and financial lease receivables. These mostly comprise hire purchase agreements or financial lease agreements for cars, trucks and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Million Baht)

	Consolidated financial statement as at 30 June 2019			
	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	120,713	351,815	38,399	510,927
Less: Unearned finance income	(22,375)	(45,355)	(2,075)	(69,805)
Present value of minimum lease payments receivables	98,338	306,460	36,324	441,122
Allowance for doubtful accounts				(11,579)
Hire purchase/financial lease receivables - net				429,543

* Included non-performing receivables

(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	<u>95,512</u>	<u>282,827</u>	<u>44,307</u>	422,646
Allowance for doubtful accounts				<u>(10,538)</u>
Hire purchase/financial lease receivables - net				<u>412,108</u>

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 30 June 2019

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	46	-	-	46
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments receivables	<u>44</u>	<u>-</u>	<u>-</u>	44
Allowance for doubtful accounts				<u>(44)</u>
Hire purchase/financial lease receivables - net				<u>-</u>

* 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

11.7 Classified by classification

As at 30 June 2019 and 31 December 2018, the Company and its financial institution subsidiaries (banking and asset management businesses) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

Consolidated financial statements ⁽¹⁾						
	30 June 2019			31 December 2018		
	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	663,518	446,295	4,125	656,410	437,439	4,127
Special mention	33,390	29,478	2,698	27,759	25,868	2,438
Substandard	4,348	2,398	1,551	4,659	2,381	1,639
Doubtful	3,376	2,153	1,307	3,172	1,947	1,155
Doubtful of loss	10,569	4,497	3,783	10,500	4,390	3,993
Total	715,201	484,821	13,464	702,500	472,025	13,352
Additional allowance for possible uncollectible accounts			7,149			8,257
Total			20,613			21,609

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

(Unit: Million Baht)

Separate financial statements						
	30 June 2019			31 December 2018		
	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	880	874	9	1,380	1,370	13
Special mention	-	-	-	-	-	-
Substandard	3	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Doubtful of loss	77	65	65	84	73	73
Total	960	939	74	1,464	1,443	86

Percentage of allowance for doubtful account set up				
	Hire purchase receivables - personal consumer of Thanachart Bank ⁽²⁾		Other loans	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Normal	0.90	0.93	1	1
Special mention	9.87	9.60	2	2
Substandard	49.65	47.57	100	100
Doubtful	43.85	42.88	100	100
Doubtful of loss	53.09	42.75	100	100

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

11.8 Loans to companies which have settlement problems

As at 30 June 2019 and 31 December 2018, loans of the Company and its subsidiaries (which engaged in banking business, asset management business, hire purchase and financial lease businesses) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

Consolidated financial statements								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	4	5	198	200	2	2	3	3
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	31	30	306	302	191	195	115	107
3. Companies which have loan settlement problems or have defaulted on the repayment	1,112	1,050	6,811	8,167	4,266	4,638	2,903	3,907
Separate financial statements								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
			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	18	19	10	16	14	14	3	10

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

As at 30 June 2019 and 31 December 2018, a subsidiary company operating in the securities business classified securities business receivables and accrued interest receivables in accordance with the Notification of the Securities and Exchange Commission ("SEC") governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	30 June 2019			31 December 2018		
	Debt	Allowance for	Debt	Debt	Allowance for	Debt
	balances	doubtful	balances net	balances	doubtful	balances net
		accounts	of allowance		accounts	of allowance
			for doubtful			for doubtful
			accounts			accounts
Normal	3,603	-	3,603	3,777	-	3,777
Substandard	32	-	32	33	1	32
Doubtful	5	5	-	12	12	-
Total	3,640	5	3,635	3,822	13	3,809

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.

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

As at 30 June 2019 and 31 December 2018, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	30 June 2019	31 December 2018
Current or overdue not over 90 days	49,177	46,761
Overdue 91 - 365 days	942	831
Overdue more than 1 year	176	179
Debtors under legal actions	843	781
Total	51,138	48,552
Allowance for doubtful accounts provided in the accounts	2,501	2,521

12. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the six-month period ended 30 June 2019									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	Other subsidiary companies	Consolidated
Balance - beginning of the period	4,127	2,438	1,639	1,155	3,993	8,257	21,609	2,535	24,144
Increase (decrease) during the period	(2)	260	(88)	152	1,762	(1,108)	976	18	994
Bad debts recovery	-	-	-	-	314	-	314	9	323
Bad debts written-off	-	-	-	-	(2,286)	-	(2,286)	(54)	(2,340)
Balance - end of the period	4,125	2,698	1,551	1,307	3,783	7,149	20,613	2,508	23,121

(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)

Separate financial statements						
For the six-month period ended 30 June 2019						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the period	13	-	-	-	73	86
Decrease during the period	(4)	-	-	-	(8)	(12)
Balance - end of the period	9	-	-	-	65	74

(Unit: Million Baht)

	Separate financial statements					
	For the year ended 31 December 2018					
	Normal	Special mention	Substandard	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

13. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Balance - beginning of the period/year	1	1	-	-
Amortised during the period/year	(1)	-	-	-
Balance - end of the period/year	-	1	-	-

14. Classification of assets

As at 30 June 2019 and 31 December 2018, the quality of assets of the Company and its financial institution subsidiaries (banking and asset management businesses) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019					
	Loans to customers and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	77,199	663,518	-	-	139	740,856
Special mention	-	33,390	-	-	113	33,503
Substandard	-	4,348	-	-	12	4,360
Doubtful	-	3,376	-	-	10	3,386
Doubtful of loss	-	10,569	378	1,609	394	12,950
Total	77,199	715,201	378	1,609	668	795,055

(Unit: Million Baht)

Consolidated financial statements

31 December 2018

	Loans to					
	Interbank and money market items	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)

Separate financial statements

30 June 2019

	Loans to					
	Interbank and money market items	customers and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	-	880	-	-	-	880
Special mention	-	-	-	-	-	-
Substandard	-	3	-	-	-	3
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	77	152	1,226	107	1,562
Total	-	960	152	1,226	107	2,445

(Unit: Million Baht)

Separate financial statements

31 December 2018

	Loans to					
	Interbank and money market items	customers and accrued interest receivables	Investments	Property 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

15. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements			
	For the six-month period ended 30 June 2019			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	3,100	47	(196)	2,951
Movable assets	618	3,616	(3,491)	743
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	2,473	909	(103)	3,279
Non-used branches				
External appraiser	331	129	(26)	434
Total property foreclosed	6,522	4,701	(3,816)	7,407
Less: Allowance for impairment	(1,700)	(468)	517	(1,651)
Property foreclosed - net	4,822	4,233	(3,299)	5,756

(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)

	Separate financial statements			
	For the six-month period ended 30 June 2019			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,045	7	(32)	1,020
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	817	817	-	1,634
Others				
Immovable assets				
External appraiser	241	-	-	241
Total property foreclosed	2,103	824	(32)	2,895
Less: Allowance for impairment	(1,251)	(7)	32	(1,226)
Property foreclosed - net	852	817	-	1,669

(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

16. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2019						
	Revaluation basis		Cost basis			
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost/Revaluation</u>						
1 January 2019	5,483	2,312	6,698	62	92	14,647
Additions	-	-	57	2	33	92
Appraisal increase	1,689	1,606	-	-	-	3,295
Appraisal decrease	(1)	(4)	-	-	-	(5)
Transfers accumulated depreciation to deduct cost	-	(797)	-	-	-	(797)
Transfers/disposals	(109)	(41)	(138)	(2)	(39)	(329)
30 June 2019	7,062	3,076	6,617	62	86	16,903
<u>Accumulated depreciation</u>						
1 January 2019	-	1,005	5,477	43	-	6,525
Transfers accumulated depreciation to deduct cost	-	(797)	-	-	-	(797)
Transfers/disposals	-	(27)	(163)	(2)	-	(192)
Depreciation for the period	-	107	277	4	-	388
30 June 2019	-	288	5,591	45	-	5,924
<u>Allowance for impairment</u>						
1 January 2019	57	22	-	-	-	79
30 June 2019	57	22	-	-	-	79
<u>Net book value</u>						
30 June 2019	7,005	2,766	1,026	17	86	10,900
Depreciation charged for the six-month periods ended 30 June						
2018						390
2019						388

(Unit: Million Baht)

Consolidated financial statements

For the year ended 31 December 2018

	Revaluation					
	basis	Cost basis				
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost/Revaluation</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

(Unit: Million Baht)

Separate financial statements

For the six-month period then ended 30 June 2019

	Revaluation basis		Cost basis			
	Land	Buildings and improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost/Revaluation</u>						
1 January 2019	18	45	62	19	-	144
Additions	-	-	1	-	1	2
Appraisal increase	5	35	-	-	-	40
Transfers accumulated depreciation to deduct cost	-	(34)	-	-	-	(34)
Transfers/disposals	-	-	(6)	-	-	(6)
30 June 2019	23	46	57	19	1	146
<u>Accumulated depreciation</u>						
1 January 2019	-	34	58	13	-	105
Transfers accumulated depreciation to deduct cost	-	(34)	-	-	-	(34)
Transfers/disposals	-	-	(5)	-	-	(5)
Depreciation for the period	-	1	1	1	-	3
30 June 2019	-	1	54	14	-	69
<u>Allowance for impairment</u>						
1 January 2019	-	-	-	-	-	-
30 June 2019	-	-	-	-	-	-
<u>Net book value</u>						
30 June 2019	23	45	3	5	1	77
Depreciation charged for the six-month periods ended 30 June						
2018						4
2019						3

(Unit: Million Baht)

	Separate financial statements					
	For the year ended 31 December 2018					
Revaluation						
basis	Cost basis					
	Buildings and	Furniture,		Assets		
	buildings	fixtures and		under		
Land	improvement	equipment	Vehicles	installation	Total	
<u>Cost/Revaluation</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>Allowance for impairment</u>						
1 January 2018	-	-	-	-	-	-
31 December 2018	-	-	-	-	-	-
<u>Net book value</u>						
31 December 2018	18	11	4	6	-	39

As at 30 June 2019, the Company and its subsidiaries have 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 4,038 million (separate financial statements: Baht 58 million).

As at 31 December 2018, 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 (separate financial statements: Baht 63 million).

The Company and its subsidiaries arranged for an independent professional appraiser to appraise the value of certain assets in 2018 on an asset-by-asset basis. The basis of the revaluation was as follows:

- Land were revalued using the market approach
- Building were revalued using the depreciated replacement cost approach, market approach and income approach.

Had the land been carried in the financial statements on a historical cost basis, its net book value as of 30 June 2019 and 31 December 2018 would have been as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Land				
Cost	3,912	3,995	3	3
Building				
Cost	2,540	2,580	45	45
Accumulated depreciation	(1,304)	(1,273)	(35)	(34)
Allowance for impairment	(22)	(22)	-	-
Net book value	1,214	1,285	10	11

Key assumptions used in the valuation are summarised below.

	Consolidated	Separate	Result to fair value
	financial statements	financial statements	where as an increase
			in assumption value
Price per square wah (Baht)	6,500 - 1,500,000	51,000	Increase in fair value
Building price cost per square meter (Baht)	2,126 - 100,000	5,054 - 75,000	Increase in fair value

Surplus on revaluation of assets

Movements in surplus on revaluation of assets arising from revaluation of land and buildings of the Company and its subsidiaries during the six-month period ended 30 June 2019 and for the year ended 31 December 2018 are summarised below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June		30 June	
	2019	31 December 2018	2019	31 December 2018
Balance - beginning of the period/year	1,508	1,559	15	15
Increase during period/year	3,286	-	40	-
Transfer out during the period/year	(53)	(51)	-	-
Balance - end of the period/year	4,741	1,508	55	15

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

17. Intangible assets

(Unit: Million Baht)

For the six-month period ended 30 June 2019						
	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 2019	4,100	3,365	7	195	7,667	9
Additions	-	43	-	73	116	-
Transfers/disposals	-	56	-	(52)	4	-
30 June 2019	4,100	3,464	7	216	7,787	9
<u>Accumulated amortisation</u>						
1 January 2019	3,739	2,040	7	-	5,786	8
Transfers/disposals	-	-	-	-	-	-
Amortisation for the period	131	179	-	-	310	-
30 June 2019	3,870	2,219	7	-	6,096	8
<u>Allowance for impairment</u>						
1 January 2019	-	31	-	-	31	-
30 June 2019	-	31	-	-	31	-
<u>Net book value</u>						
30 June 2019	230	1,214	-	216	1,660	1
Remaining amortisation period	0.75 years	0 - 10 years	-	-		0 - 9 years
Amortisation for the six-month periods ended 30 June						
2018					339	-
2019					310	-

For the year ended 31 December 2018

	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 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

As at 30 June 2019 and 31 December 2018, 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 584 million and Baht 552 million, respectively (separate financial statements: Baht 8 million and Baht 8 million, respectively).

18. 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 has 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.

19. Deferred tax assets/ liabilities and income tax

19.1 Deferred tax assets/ liabilities

As at 30 June 2019 and 31 December 2018, deferred tax assets/liabilities are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Deferred tax assets	697	779	-	-
Deferred tax liabilities	(2,482)	(1,402)	(138)	(134)
Net	<u>(1,785)</u>	<u>(623)</u>	<u>(138)</u>	<u>(134)</u>

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

(Unit: Million Baht)		
Consolidated financial statements		
	30 June 2019	31 December 2018
Deferred tax assets		
Intercompany gain from disposal of assets	24	37
Non-accrual of interest income	76	71
Allowance for doubtful debts - general provision/other assets	851	1,069
Allowance for impairment of properties foreclosed	69	74
Employee benefits	675	542
Provisions	237	229
Accrued expenses	67	68
Insurance contract liabilities	295	309
Fees income received in advance	357	351
Late payment fee	171	171
Others	177	317
	<u>2,999</u>	<u>3,238</u>
Deferred tax assets		
Deferred tax liabilities		
Assets transferred as a result of business combination	(1,081)	(1,087)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(2,216)	(2,088)
Intangible assets	(46)	(72)
Unrealised gains on changes in value of available-for-sale securities	(313)	(189)
Others	(1,128)	(425)
	<u>(4,784)</u>	<u>(3,861)</u>
Deferred tax liabilities		
Net	<u>(1,785)</u>	<u>(623)</u>

(Unit: Million Baht)		
Separate financial statements		
	30 June 2019	31 December 2018
Deferred tax liabilities		
Unrealised gains on changes in value of available-for-sale securities	(127)	(130)
Others	(11)	(4)
	<u>(138)</u>	<u>(134)</u>
Deferred tax liabilities		

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 3,540 million and Baht 3,441 million, respectively (separate financial statements: Baht 3,002 million and Baht 2,937 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 tax losses.

The unused tax losses amounting to Baht 1,523 million in the consolidated financial statements and Baht 1,367 million in the separate financial statement will expire by 2019 - 2024.

19.2 Income tax

Income tax expenses for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

	(Unit: Million Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax	867	609	-	-
Adjustment in respect of income tax from previous year	36	10	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	26	2	-	-
Income tax expenses reported in statements of comprehensive income	929	621	-	-

	(Unit: Million Baht)			
	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax	1,743	932	-	-
Adjustment in respect of income tax from previous year	36	10	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	196	(134)	-	-
Income tax expenses reported in statements of comprehensive income	1,975	808	-	-

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deferred tax relating to gain (loss) on changes in value of available-for-sale securities	95	(301)	(4)	(7)
Deferred tax relating to revaluation surplus on assets	657	-	8	-
Deferred tax relating to share of other comprehensive income of an associated company	18	(1)	-	-
	<u>770</u>	<u>(302)</u>	<u>4</u>	<u>(7)</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deferred tax relating to gain (loss) on changes in value of available-for-sale securities	259	(309)	(3)	(13)
Deferred tax relating to revaluation surplus on assets	657	-	8	-
Deferred tax relating to share of other comprehensive income of an associated company	50	(1)	-	-
	<u>966</u>	<u>(310)</u>	<u>5</u>	<u>(13)</u>

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Accounting profit before tax	4,735	4,762	1,809	1,470
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	947	952	362	294
Adjustment in respect of income tax from previous year	36	10	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(54)	(341)	(362)	(294)
Income tax expenses reported in statements of comprehensive income	929	621	-	-

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Accounting profit before tax	9,842	8,863	1,785	1,489
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,968	1,773	357	298
Adjustment in respect of income tax from previous year	36	10	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(29)	(975)	(357)	(298)
Income tax expenses reported in statements of comprehensive income	1,975	808	-	-

20. Receivables from purchase and sale of securities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Receivables from purchase and sale of securities	5,423	2,640	-	289

21. Other assets

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Accrued premium insurance income	344	520	-	-
Suspense debtors	260	722	-	-
Other receivables	2,027	1,816	136	112
VAT refundable	439	962	-	-
Other receivables - VAT paid in advance for customers	273	251	-	-
Deposits	252	248	3	3
Estimated insurance claims recoveries	279	259	-	-
Receivable from clearing house	384	64	-	-
Leasehold right	89	101	8	9
Prepaid corporate income tax	718	706	14	10
Deposits from derivative contracts	131	337	-	-
Prepaid expenses	584	483	8	7
Reinsurance assets	918	721	-	-
Accrued interest and dividend receivables	642	485	2	2
Others	871	1,103	2	2
Total	8,211	8,778	173	145
Less: Allowance for impairment	(503)	(524)	(107)	(107)
Other assets - net	7,708	8,254	66	38

22. Deposits

22.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Current	12,235	12,759	-	-
Saving	342,786	351,939	-	-
Certificates of deposit	71,926	85,460	-	-
Fixed deposits				
- Less than 6 months	34,331	44,025	-	-
- 6 months and up to 1 year	36,600	41,832	-	-
- Over 1 year	226,645	215,902	-	-
Total deposits	<u>724,523</u>	<u>751,917</u>	<u>-</u>	<u>-</u>

22.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	723,442	322	723,764	751,285	1	751,286
US Dollar	607	21	628	490	29	519
Other currencies	129	2	131	109	3	112
Total	<u>724,178</u>	<u>345</u>	<u>724,523</u>	<u>751,884</u>	<u>33</u>	<u>751,917</u>

23. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	409	-	409	413	-	413
Commercial banks	2,010	24,984	26,994	3,520	12,310	15,830
Specialised financial institutions	28	13,977	14,005	32	7,440	7,472
Other financial institutions	16,307	9,976	26,283	17,770	15,322	33,092
Total domestic items	18,754	48,937	67,691	21,735	35,072	56,807
Foreign						
US Dollar	192	11,683	11,875	177	13,921	14,098
Euro	1	-	1	1	-	1
Baht	496	534	1,030	485	532	1,017
Total foreign items	689	12,217	12,906	663	14,453	15,116
Total	19,443	61,154	80,597	22,398	49,525	71,923

As at 30 June 2019, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 1,190 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 (31 December 2018: included loans of a subsidiary company amounting to Baht 2,690 million).

24. Debt issued and borrowings

As at 30 June 2019 and 31 December 2018, the balance of domestic debt issued and borrowings, stated in Baht, are as follows:

(Unit: Million Baht)												
						Issuance unit		Consolidated financial statements		Separate financial statements		
Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate		Face value	30 June	31 December	30 June	31 December	30 June	31 December
				(Percent annum)	per	(Baht)	2019	2018	2019	2018	2019	2018
						(Baht)	(Thousand unit)	(Thousand unit)				
1	Subordinated instruments issued under Tier II	Year 2014	Year 2024	6.00		1,000	-	13,000	-	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 2020	5.03		1,000	2,900	2,900	2,900	2,900	2,900	2,900
5	Unsubordinated debentures	Year 2013	Year 2023	4.85, 5.00		1,000	1,800	1,800	1,800	1,800	1,800	1,800
6	Unsubordinated debentures	Year 2013	Year 2025	4.95		1,000	900	900	900	900	900	900
7	Unsubordinated debentures	Year 2016	Year 2019	2.70, 2.88		1,000	-	1,700	-	1,400	-	-
8	Unsubordinated debentures	Year 2016	Year 2019	2.95, 3.00		1,000	1,535	1,735	1,535	1,735	-	-
9	Unsubordinated debentures	Year 2017	Year 2019	2.52		1,000	-	2,000	-	2,000	-	-
10	Unsubordinated debentures	Year 2017	Year 2019	1.75		1,000	-	500	-	500	-	500
11	Unsubordinated debentures	Year 2017	Year 2020	2.39 - 2.88		1,000	10,060	10,060	10,010	10,010	-	-
12	Unsubordinated debentures	Year 2017	Year 2020	2.58		1,000	70	70	70	70	-	-
13	Unsubordinated debentures	Year 2018	Year 2019	1.88		1,000	3,100	3,100	3,100	3,100	3,100	3,100
14	Unsubordinated debentures	Year 2018	Year 2020	2.28 - 2.80		1,000	3,865	3,865	3,815	3,815	-	-
15	Unsubordinated debentures	Year 2018	Year 2021	2.31, 2.70		1,000	1,970	1,970	1,970	1,970	-	-
16	Unsubordinated debentures	Year 2018	Year 2021	2.30, 2.50		1,000	1,110	1,110	1,110	1,110	-	-
17	Unsubordinated debentures	Year 2018	Year 2020	2.80		1,000	140	140	140	140	-	-

(Unit: Million Baht)

Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated financial statements		Separate financial statements	
						30 June	31 December	30 June	31 December	30 June	31 December
						2019	2018	2019	2018	2019	2018
						(Thousand unit)	(Thousand unit)				
				(Percent annum)	per (Baht)						
18	Unsubordinated debentures	Year 2019	Year 2021	2.65, 2.66	1,000	675	-	675	-	-	-
19	Unsubordinated debentures	Year 2019	Year 2022	2.94	1,000	2,070	-	1,989	-	-	-
20	Unsubordinated debentures	Year 2019	Year 2021	2.67, 2.68	1,000	1,020	-	1,020	-	-	-
21	Unsubordinated debentures	Year 2019	Year 2022	2.96	1,000	155	-	155	-	-	-
22	Unsubordinated debentures	Year 2019	Year 2019	1.85	1,000	2,500	-	2,484	-	-	-
23	Unsubordinated debentures	Year 2019	Year 2019	1.88	1,000	8,000	-	7,939	-	-	-
24	Unsubordinated debentures	Year 2019	Year 2020	1.90	1,000	1,200	-	1,186	-	-	-
25	Unsubordinated debentures	Year 2019	Year 2020	1.93	1,000	8,700	-	8,596	-	-	-
26	Unsubordinated debentures	Year 2019	Year 2020	1.96	1,000	12,400	-	12,231	-	-	-
27	Unsubordinated debentures	Year 2019	Year 2022	3.00	1,000	200	-	200	-	-	-
28	Structured notes		Year 2019					386	277	-	-
29	Promissory notes		At call	0.20 - 2.50, 5.65, 6.65				92	467	-	-
30	Promissory notes		Year 2019 - 2021	2.90, 3.30				179	289	-	-
31	Promissory notes	Year 2019	At call	1.95				698	-	-	-
32	Bill of Exchange	Year 2019	Year 2020	1.97, 2.00				3,948	-	3,948	-
Total debt issued and borrowings								79,128	55,013	15,648	12,200

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. Instrument 1) had been early redeemed in the second quarter of 2019

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 7), 11), 14), 15), 20) to 27) 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 6), 10) and 13) are name-registered, unsubordinated, unsecured debenture with no debentures holders' representative, paying interest semi-annually.

Instruments 9), 12), 16) to 19) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

25. Provisions

(Unit: Million Baht)

	Consolidated financial statements				
	For the six-month period ended 30 June 2019				
	Obligations				
	Loss from litigation	Employee benefits	from off- balance items	Others	Total
As at 1 January 2019	599	2,772	134	410	3,915
Increase during the period	16	861	28	259	1,164
Decrease from actual utilised	-	(168)	-	(201)	(369)
Reversal of provisions	(7)	-	(14)	(36)	(57)
As at 30 June 2019	608	3,465	148	432	4,653

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2018				
	Obligations				
	Loss from	Employee	from off-		
	litigation	benefits	balance items	Others	Total
As at 1 January 2018	361	2,740	167	411	3,679
Increase during the year	272	191	3	689	1,155
Decrease from actual utilised	(28)	(146)	(12)	(335)	(521)
Reversal of provisions	(6)	(13)	(24)	(355)	(398)
As at 31 December 2018	599	2,772	134	410	3,915

(Unit: Million Baht)

Separate financial statements	
For the six-month period ended 30 June 2019	
Employee benefits	
As at 1 January 2019	29
Increase during the period	10
Increase from the intercompany transfer	1
As at 30 June 2019	40

(Unit: Million Baht)

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

Long-term employee benefits

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Defined benefit obligation at the beginning of the period/year	2,510	2,378	29	26
Recognised in profit and loss:				
Current service cost	100	173	1	1
Interest cost	44	77	-	1
Past service costs and gains or losses arising from the payment of benefits	709	(55)	9	-
Recognised in other comprehensive income:				
Actuarial (gains) losses arising from				
- Demographic assumptions changes	-	(2)	-	-
- Financial assumptions changes	-	(8)	-	-
- Experience adjustments	6	6	-	1
Employee benefits increase from intercompany transfers	-	-	1	-
Employee benefits paid during the period/year	(72)	(59)	-	-
Defined benefit obligation at the end of the period/year	3,297	2,510	40	29

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries expect to pay Baht 100 million and 61 million, respectively, in long-term employee benefits during the next one year (separate financial statements: 1 million and nil respectively).

The long-term employee benefit expenses, included in profit or loss for the six-month periods ended 30 June 2019 and 2018, can be summarised as follows:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current service cost	100	85	1	1
Interest cost	44	38	-	-
Past service costs and gains or losses arising from the payment of benefits	709	(32)	9	-
Total expense summarised in profit or loss	853	91	10	1

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

			(Percent per annum)	
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Discount rate	2.66 - 3.35	2.66 - 3.35	3.13	3.13
Future salary increase rate	5.00 - 5.36	5.00 - 5.36	5.00	5.00
Average staff turnover rate (depending on age)	0.00 - 50.00	0.00 - 50.00	0.00 - 25.39	0.00 - 25.39

The result of sensitivity analysis for significant assumptions that affect the increasing in present value of the long-term employee benefit obligation as at 30 June 2019 and 31 December 2018 are summarised below:

				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2019	2018	2019	2018
Change					
Discount rate	Decrease 0.25%	83	64	1	1
Future salary increase rate	Increase 0.25%	85	62	1	1
Average staff turnover rate	Decrease 0.25%	78	56	1	1

As at 30 June 2019 and 31 December 2018, the weighted average durations of the liabilities for long-term employee benefit of the Company and its subsidiaries are 11, 14, 16, 22, 26 years and 11, 14, 16, 22 years, respectively (separate financial statements: 16 years).

26. Accrued interest payables

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Accrued interest payables	2,040	2,277	89	90

27. Insurance contract liabilities

	(Unit: Million Baht)					
	Consolidated financial statements					
	30 June 2019			31 December 2018		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Life policy reserve	7,591	-	7,591	7,903	-	7,903
Loss reserves and outstanding claims	1,868	(247)	1,621	1,695	(158)	1,537
Unearned premium reserve	4,315	(671)	3,644	4,381	(564)	3,817
Unpaid policy benefits	10	-	10	7	-	7
Other liabilities under insurance policies	82	-	82	76	-	76
Total	13,866	(918)	12,948	14,062	(722)	13,340

Non-life insurance

Assumptions used in determining liabilities from insurance contracts

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

Sensitivity analysis

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

(Unit: Million Baht)

Consolidated financial statements					
30 June 2019					
	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%	89	77	(77)	(62)
Loss adjustment expense	Increase 2%	13	13	(13)	(10)
Ultimate loss ratio	Decrease 2%	(89)	(76)	76	61
Loss adjustment expense	Decrease 2%	(13)	(13)	13	10

(Unit: Million Baht)

Consolidated financial statements					
31 December 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

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 30 June 2019 and 31 December 2018 are summarised below:

(Unit: Million Baht)

Consolidated financial statements					
30 June 2019					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance increase (decrease)	Net reinsurance increase (decrease)	Increase (decrease) on profit before tax	Increase (decrease) on equity
Mortality rate	Increase 10%	18	-	(18)	(14)
Expenses rate	Increase 10%	9	-	(9)	(7)
Lapse and surrender rates	Increase 10%	(19)	-	19	16
Discount rate	Increase 0.1%	(22)	-	22	17
Mortality rate	Decrease 10%	(18)	-	18	14
Expenses rate	Decrease 10%	(9)	-	9	7
Lapse and surrender rates	Decrease 10%	20	-	(20)	(16)
Discount rate	Decrease 0.1%	21	-	(21)	(17)

(Unit: Million Baht)

Consolidated financial statements					
31 December 2018					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance increase (decrease)	Net reinsurance increase (decrease)	Increase (decrease) on profit before tax	Increase (decrease) on equity
Mortality rate	Increase 10%	17	-	(17)	(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)

27.1 Life policy reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended 30 June 2019	31 December 2018
Balance - beginning of the period/year	7,903	8,953
Insurance policy reserves increased from new policies and enforced policies	(16)	116
Insurance policy reserves decreased from benefit paid, lapse, surrender and others	(459)	(1,238)
Assumptions changes	85	(76)
Experience adjustments	78	148
Balance - end of the period/year	7,591	7,903

27.2 Loss reserves and outstanding claims

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended 30 June 2019	31 December 2018
Balance - beginning of the period/year	1,695	1,701
Claim expenses for the period/year	2,722	4,733
Change in loss reserves and outstanding in claims and assumption	125	280
Claim expenses paid during the period/year	(2,674)	(5,019)
Balance - end of the period/year	1,868	1,695

27.3 Unearned premium reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended 30 June 2019	31 December 2018
Balance - beginning of the period/year	4,381	3,851
Premium written for the period/year	4,405	8,722
Premium earned during the current period/year	(4,471)	(8,192)
Balance - end of the period/year	4,315	4,381

27.4 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.

27.5 Unpaid policy benefits

	(Unit: Million Baht)	
	Consolidated financial statements	
	30 June 2019	31 December 2018
Death benefits	9	5
Surrender	1	1
Others	-	1
Total unpaid policy benefits	10	7

28. Payables from purchase and sale of securities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Payables from purchase and sale of securities	3,479	1,325	190	192

29. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Other payables	3,816	2,917	785	221
Suspense cash received from accounts receivable	1,370	2,045	-	-
Income received in advance	1,884	1,758	-	-
Corporate income tax payable	1,555	1,013	-	-
Accrued personnel expenses	1,184	2,267	61	70
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	1,817	1,750	-	-
Accrued other expenses	1,448	2,158	3	4
Insurance premium received in advance	1,833	1,706	-	-
Payable to clearing house	1,216	795	-	-
Others	1,358	1,499	40	21
Total other liabilities	17,481	17,908	889	316

30. Share capital/Treasury stocks

During the six-month period ended 30 June 2019, preferred shares converted 60 preferred shares to the Company's common shares. Therefore, as at 30 June 2019, 13,156 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 2019, the Company has 19,467,000 treasury shares valued at Baht 1,000 million that were repurchased during 8 August 2018 to 7 February 2019. Repurchase plan require that the treasury shares are to be sold within 3 years from the repurchase date.

31. Other components of equity

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary/associate lower than attributable net book value	230	230	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale securities				
Debt instruments	217	60	-	1
Equity instruments	990	988	631	653
Total	1,207	1,048	631	654
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(54)	(307)	-	-
Equity instruments	(58)	(297)	-	(5)
Total	(112)	(604)	-	(5)
Total revaluation surplus on investments	1,095	444	631	649
Less: The effect of deferred tax liabilities	(222)	(93)	(127)	(130)
Net revaluation surplus on investments	873	351	504	519
Revaluation surplus on assets	2,434	776	55	15
Less: The effect of deferred tax liabilities	(487)	(155)	(11)	(3)
Net revaluation surplus on assets	1,947	621	44	12
Share of other comprehensive income of an associate	490	326	-	-
Less: The effect of deferred tax liabilities	(36)	(11)	-	-
Net share of other comprehensive income of an associate	454	315	-	-
Share of surplus from the change in the ownership interests in subsidiaries of an associate	61	61	-	-
Less: The effect of deferred tax liabilities	(2)	(2)	-	-
Net share of surplus from the change in the ownership interests in subsidiaries of an associate	59	59	-	-
Total	4,339	2,352	548	531

32. Statutory reserve

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

As at 30 June 2019, the statutory reserve has fully been set aside.

33. Capital funds

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

As at 30 June 2019 and 31 December 2018 the capital funds of the Company and its subsidiaries, calculated in accordance with the BOT regulation regarding "Consolidated Supervision", consist of the following:

	(Unit: Million Baht)	
	30 June 2019	31 December 2018
<u>Tier I capital</u>		
Common Equity Tier I capital		
Issued and fully paid-up share capital less treasury shares	10,651	10,886
Share premium	2,066	2,066
Statutory reserve	1,278	1,278
Retained earnings - unappropriated	47,278	45,200
Other components of equity		
Accumulated other comprehensive income	2,705	955
Other components of changes in equity	776	776
Portion of non-controlling interest of subsidiary operating		
commercial banking business qualifying as Tier I capital	63,830	60,527
Less: Deductions from Common Equity Tier I capital	(19,428)	(19,720)
Total Common Equity Tier I capital	109,156	101,968
Total Tier I capital	109,156	101,968
<u>Tier II capital</u>		
Subordinated debentures	4,433	11,773
Reserve for assets classified as normal	8,288	8,706
Total Tier II capital	12,721	20,479
Total capital funds	121,877	122,447

As at 30 June 2019 and 31 December 2018, the capital adequacy ratios of the financial group calculated in accordance with the Notification of the BOT are as follows:

	30 June 2019		31 December 2018	
	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)	15.16	11.00	15.57	10.375
Total Tier I to risk-weighted assets (percent)	13.58	8.50	12.97	7.875
Total Common Equity Tier I to risk-weighted assets (percent)	13.58	7.00	12.97	6.375

In compliance with the Notification of the BOT regarding Consolidated Supervision, the Company has to disclose qualitative and quantitative information about the capital requirements of the Company and its subsidiaries in the financial group (Full Consolidation). The Company will disclose capital requirement information as at 30 June 2019 on its website at www.thanachart.co.th within October 2019 and have disclosed capital requirement information as at 31 December 2018 on the website since April 2019.

34. Dividends

During the six-month periods ended 30 June 2019 and 2018, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment Million Baht	Dividend per share Baht	Payment date
Dividend for the second half-year of 2018	The Annual General Meeting of shareholders on 24 April 2019	1,833	1.60	17 May 2019
Dividend for the second half-year of 2017	The Annual General Meeting of shareholders on 25 April 2018	1,515	1.30	17 May 2018

35. Interest income

Interest income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Interbank and money market items	473	448	-	-
Investments and trading transactions	87	56	-	-
Investments in debt securities	667	682	7	6
Loans to customers	4,298	4,404	19	13
Hire purchase and financial lease	6,796	5,952	-	-
Total interest income	12,321	11,542	26	19

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Interbank and money market items	949	931	-	-
Investments and trading transactions	159	119	-	-
Investments in debt securities	1,335	1,323	10	12
Loans to customers	8,527	8,718	36	24
Hire purchase and financial lease	13,415	11,781	-	-
Total interest income	24,385	22,872	46	36

36. Interest expenses

Interest expenses for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deposits	2,458	2,250	-	-
Interbank and money market items	296	240	-	-
Contribution fee to the Financial Institutions Development Fund and the Deposit Protection Agency	913	870	-	-
Debt issued and borrowings				
- Unsubordinated debentures/Short-term debentures	321	282	121	142
- Subordinated instruments	245	269	-	-
- Others	12	4	4	-
Borrowings cost	4	3	1	1
Total interest expenses	4,249	3,918	126	143

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deposits	4,860	4,508	-	-
Interbank and money market items	579	440	-	-
Contribution fee to the Financial Institutions Development Fund and the Deposit Protection Agency	1,817	1,732	-	-
Debt issued and borrowings				
- Unsubordinated debentures/Short-term debentures	598	563	240	284
- Subordinated instruments	511	535	-	-
- Others	18	9	4	-
Borrowings cost	8	5	2	1
Total interest expenses	8,391	7,792	246	285

37. Fees and service income

Fees and service income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Fees and service income				
Acceptance, aval and guarantees	43	37	-	-
Brokerage fee from securities/derivatives	231	306	-	-
Hire purchase fee income	383	394	-	-
Credit card fee	295	276	-	-
ATM and electronic banking services	201	211	-	-
Insurance brokerage fee income	579	477	-	-
Others	716	738	-	-
Total fees and service income	2,448	2,439	-	-
Fees and service expenses	(868)	(867)	-	-
Net fees and service income	1,580	1,572	-	-

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Fees and service income				
Acceptance, aval and guarantees	85	84	-	-
Brokerage fee from securities/derivatives	459	714	-	-
Hire purchase fee income	783	793	-	-
Credit card fee	613	560	-	-
ATM and electronic banking services	424	436	-	-
Insurance brokerage fee income	1,071	940	-	-
Others	1,381	1,520	-	-
Total fees and service income	4,816	5,047	-	-
Fees and service expenses	(1,849)	(1,769)	-	-
Net fees and service income	2,967	3,278	-	-

38. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Foreign exchange and derivatives relating to				
foreign exchange	95	85	-	-
Derivatives relating to interest	6	(16)	-	-
Debt securities	100	(70)	-	-
Equity securities	59	(221)	-	-
Others	(52)	237	-	-
Total	208	15	-	-

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Foreign exchange and derivatives relating to				
foreign exchange	199	162	-	-
Derivatives relating to interest	10	(8)	-	-
Debt securities	134	(40)	-	-
Equity securities	109	(320)	-	-
Others	(82)	373	-	-
Total	370	167	-	-

39. Gains on investments

Gains on investments for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Gains on disposal of available-for-sale securities	73	123	-	-
Gains on disposal of investment in an associate	-	38	-	25
Gains on debt settlement/assets transferred				
from investments in receivables purchased	3	169	3	-
Reversal of loss on impairment of investments	2	1	-	-
Others	34	62	-	-
Total	112	393	3	25

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Gains on disposal of available-for-sale securities	192	471	-	1
Gains on disposal of investment in an associate	-	38	-	25
Gains on debt settlement/assets transferred				
from investments in receivables purchased	40	247	28	17
Reversal of loss on impairment of investments	-	1	-	-
Others	205	103	-	-
Total	437	860	28	43

40. Insurance/Life insurance income

Insurance/life insurance income for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Million Baht)			
	Consolidated financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2019	2018	2019	2018
Gross premium written	2,099	2,044	4,417	4,358
Less : Premium ceded to reinsurers	(355)	(199)	(712)	(392)
Net insurance premium income	1,744	1,845	3,705	3,966
Add (less): Unearned premium reserve (increase) decreased from previous period	160	49	173	(140)
Total	1,904	1,894	3,878	3,826

41. Insurance/Life insurance expenses

Insurance expenses for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

	(Unit: Million Baht)			
	Consolidated financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2019	2018	2019	2018
Gross claim and loss adjustment expense	1,119	1,001	2,246	2,022
Less: Claims recovery from reinsurers	(198)	(84)	(388)	(160)
Benefit payments under life policies and claims	481	852	962	1,220
Less: Benefit payment under life policies and claims refundable from reinsurers	(8)	(5)	(24)	(15)
Commissions and brokerages expenses	102	68	207	179
Less: Refundable commissions and brokerages expenses from reinsurers	(96)	(55)	(181)	(101)
Other underwriting expense	(92)	(648)	(173)	(752)
Total	1,308	1,129	2,649	2,393

42. 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 58 million (separate financial statement: Baht 30 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.

43. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the three-month and six-month periods ended 30 June 2019 and 2018 consisted of the following:

		(Unit: Million Baht)			
		For the three-month periods ended 30 June			
		Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Impairment loss of loans (reversal)					
Interbank and money market items		(10)	(48)	-	-
Loans to customers		963	1,494	(7)	-
Reversal of revaluation allowance for debts					
restructured during the period		(1)	-	-	-
Loss from impairment of investments in					
receivables purchased		-	2	-	1
Total		952	1,448	(7)	1

		(Unit: Million Baht)			
		For the six-month periods ended 30 June			
		Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Impairment loss of loans (reversal)					
Interbank and money market items		(3)	(80)	-	-
Loans to customers		1,947	2,957	(12)	2
Reversal of revaluation allowance for debts					
restructured during the period		(1)	-	-	-
Loss from impairment of investments in					
receivables purchased		-	2	-	1
Total		1,943	2,879	(12)	3

44. Components of other comprehensive income

Components of other comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 are as the following:

	(Unit: Million Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Other comprehensive income				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale securities:				
Unrealised gains (losses) during the period	547	(1,382)	(22)	(37)
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(73)	(123)	-	-
	474	(1,505)	(22)	(37)
Share of other comprehensive income of an associate	(4)	(30)	-	-
Other comprehensive income for the period (losses)	470	(1,535)	(22)	(37)
Impact from related income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale securities	(95)	301	4	7
Income tax - share of other comprehensive income (loss) of an associate	(5)	1	-	-
Impact from related income taxes	(100)	302	4	7
	370	(1,233)	(18)	(30)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Revaluation surplus on assets	3,286	-	40	-
Share of other comprehensive income of an associate	256	-	-	-
Actuarial loss on defined benefit plan	(5)	-	-	-
Other comprehensive income for the period	3,537	-	40	-
Impact from related income taxes:				
Income taxes - revaluation surplus on assets	(657)	-	(8)	-
Income tax - share of other comprehensive income of an associate	(13)	-	-	-
Impact from related income taxes	(670)	-	(8)	-
	2,867	-	32	-
Net other comprehensive income for the period (losses)	3,237	(1,233)	14	(30)

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Other comprehensive income				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale securities:				
Unrealised gains (losses) during the period	1,487	(1,073)	(18)	(66)
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(192)	(471)	-	(1)
	1,295	(1,544)	(18)	(67)
Share of other comprehensive income of an associate	(38)	(25)	-	-
Other comprehensive income for the period (losses)	1,257	(1,569)	(18)	(67)
Impact from related income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale securities	(259)	309	3	13
Income tax - share of other comprehensive income (loss) of an associate	(37)	1	-	-
Impact from related income taxes	(296)	310	3	13
	961	(1,259)	(15)	(54)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Revaluation surplus on assets	3,286	-	40	-
Share of other comprehensive income of an associate	256	-	-	-
Actuarial losses on defined benefit plan	(6)	-	-	-
Other comprehensive income for the period	3,536	-	40	-
Impact from relevant income taxes:				
Income taxes - revaluation surplus on assets	(657)	-	(8)	-
Income tax - share of other comprehensive income of an associate	(13)	-	-	-
Impact from related income taxes	(670)	-	(8)	-
	2,866	-	32	-
Net other comprehensive income for the period (losses)	3,827	(1,259)	17	(54)

45. Earnings per share

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

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

	Consolidated financial statements					
	For the three-month periods ended 30 June					
	Profit for the periods		Weighted average number of common shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	1,899,079	2,050,981	1,145,650	1,165,117	1.66	1.76
Effect of dilutive securities						
Preferred shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,899,079	2,050,981	1,145,663	1,165,130	1.66	1.76

Consolidated financial statements						
For the six-month periods ended 30 June						
	Profit for the periods		Weighted average number of common shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	3,914,750	3,949,665	1,145,766	1,165,117	3.42	3.39
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	3,914,750	3,949,665	1,145,779	1,165,130	3.42	3.39

Separate financial statements						
For the three-month periods ended 30 June						
	Profit for the periods		Weighted average number of common shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profit attributable to the Company	1,809,301	1,469,826	1,145,650	1,165,117	1.58	1.26
Effect of dilutive securities						
Preferred shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,809,301	1,469,826	1,145,663	1,165,130	1.58	1.26

Separate financial statements						
For the six-month periods ended 30 June						
		Weighted average				
Profit for the periods		number of common shares		Earnings per share		
2019	2018	2019	2018	2019	2018	
Thousand	Thousand	Thousand	Thousand	Baht	Baht	
Baht	Baht	shares	shares			
Basic earnings per share						
Profit attributable to the Company	1,785,079	1,489,178	1,145,766	1,165,117	1.56	1.28
Effect of dilutive securities						
Preferred shares convertible to						
common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders						
assuming conversion of dilutive						
securities	1,785,079	1,489,178	1,145,779	1,165,130	1.56	1.28

46. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 2 - 15 percent of their basic salaries, and the Company and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the six-month period ended 30 June 2019, amounting to Baht 220 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 4 million) (2018: Baht 216 million in the consolidated financial statements and Baht 4 million in the separate financial statements).

47. Related party transactions

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

(Unit: Million Baht)

	For the three-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2019	2018	2019	2018	(For the period 2019)
<u>Transactions occurred during the periods</u>					
Subsidiary companies					
Purchase of debt securities	-	-	4,575	86	At market prices
Sales of debt securities	-	-	75	95	At market prices
Interest income	-	-	13	12	At interest rate of 0.40 - 5.65 percent per annum
Dividend income	-	-	1,796	1,607	As declared
Rental and other service income	-	-	16	17	At the rate agreed under the contract
Associated company					
Interest expenses	2	2	-	-	At interest rate of 0.40 and 5.65 percent per annum
Dividend payment	-	-	208	169	As declared
Other expenses	25	27	3	3	
Related companies					
Purchase of debt securities	469	370	-	-	At market prices
Sales of debt securities	425	313	-	-	At market prices
Purchases/sales of forward exchange contracts	110	8,996	-	-	At market prices
Interest income	73	54	-	-	At interest rate of 2.40 - 7.43 percent per annum
Dividend income	20	20	7	6	As declared
Insurance premium/life insurance premium income	1	2	-	-	At the rate agreed under the contract
Interest expenses	97	82	-	-	At interest rate of 0.40 - 2.95 percent per annum
Dividend payment	1,727	1,545	-	-	As declared
Project management expenses	10	14	3	3	At the contract price calculated by reference to estimated usage time
Other expenses	80	57	6	1	

	For the six-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2019	2018	2019	2018	(For the period 2019)
Transactions occurred during the periods					
Subsidiary companies					
Purchase of debt securities	-	-	5,023	86	At market prices
Sales of debt securities	-	-	245	594	At market prices
Interest income	-	-	30	23	At interest rate of 0.40 - 5.65 percent per annum
Dividend income	-	-	1,796	1,687	As declared
Rental and other service income	-	-	30	28	At the rate agreed under the contract
Associated company					
Dividend income	-	-	64	63	As declared
Insurance premium/life insurance premium income	1	-	-	-	At the rate agreed under the contract
Interest expenses	4	3	-	-	At interest rate of 0.40 and 5.65 percent per annum
Dividend payment	-	-	208	169	As declared
Other expenses	51	53	6	6	
Related companies					
Purchase of debt securities	790	2,733	-	-	At market prices
Sales of debt securities	595	1,024	-	-	At market prices
Purchase/sales of forward exchange contracts	494	19,037	-	-	At market prices
Interest income	148	104	-	-	At interest rate of 2.40 - 7.43 percent per annum
Dividend income	55	55	25	24	As declared
Insurance premium/life insurance premium income	4	3	-	-	At the rate agreed under the contract
Other income	-	1	-	-	
Interest expenses	190	144	-	-	At interest rate of 0.40 - 2.95 percent per annum
Dividend payment	1,727	1,545	-	-	As declared
Project management expenses	20	20	6	6	At the contract price calculated by reference to estimated usage time
Other expenses	121	98	6	1	

The outstanding balances of the above transactions during the six-month periods ended 30 June 2019 and 2018 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	76	24
Loans to customers	-	-	1,066	823
<u>Associated company</u>				
Deposits	169	122	-	-
Debt issued and borrowings	108	76	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	13	112	-	-
Loans to customers	6,394	6,226	-	-
Investment in debt securities	-	91	-	-
Deposits	1,364	1,975	-	-
Interbank and money market items (liabilities)	12,621	12,828	-	-

As at 30 June 2019 and 31 December 2018, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements								
30 June 2019								
Assets				Liabilities				
Interbank and money market items	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company								
MBK Plc.	-	-	28	148	-	85	1	-
Related companies								
Other related companies	12	6,611	46	1,351	11,717	-	195	1,073
	12	6,611	74	1,499	11,717	85	196	1,073

(Unit: Million Baht)

Consolidated financial statements								
31 December 2018								
Assets				Liabilities				
Interbank and money market items	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company								
MBK Plc.	-	-	29	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)

Separate financial statements								
30 June 2019								
	Assets			Liabilities				
	Interbank and money market items	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitment s
Subsidiary companies								
Thanachart Bank Plc.	220	-	-	-	-	-	191	-
Thanachart Securities Plc.	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	442	-	-	-	-	-	-
Max Asset Management Co., Ltd.	-	427	-	-	-	-	-	-
TM Broker Co., Ltd.	-	2	-	-	-	-	-	-
Associated company								
MBK Plc.	-	-	3	-	-	-	-	-
Related companies								
Other related companies	-	-	-	-	-	-	7	-
	220	871	4	-	-	-	198	-

(Unit: Million Baht)

Separate financial statements								
31 December 2018								
	Assets			Liabilities				
	Interbank and money market items	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitment s
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	-

As at 30 June 2019 and 31 December 2018, the Company has loans to subsidiary companies as follows:

		(Unit: Million Baht)	
Company's name	Interest rate	Outstanding balances	
		30 June 2019	31 December 2018
	(For the year 2019)		
Max Asset Management Co., Ltd.	MLR	427	663
	of Thanachart Bank - 1%		
NFS Asset Management Co., Ltd.	MLR	442	702
	of Thanachart Bank - 1%		
TM Broker Co., Ltd.	MLR	2	2
	of Thanachart Bank - 1%		
Total		871	1,367

As at 30 June 2019, the Company and its subsidiaries have investments amounting to Baht 1,658 million (Baht 796 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2018: Baht 1,694 million in the consolidated financial statements and Baht 814 million in the separate financial statements).

As at 30 June 2019 and 31 December 2018, 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	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Loans to customers	70	103	-	-
Deposits	1,656	1,204	-	-

Directors and management's remuneration

During the three-month and six-month periods ended 30 June 2019 and 2018, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Short-term employee benefits	199	209	52	46
Post-employment benefits	6	4	-	-
	<u>205</u>	<u>213</u>	<u>52</u>	<u>46</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Short-term employee benefits	351	363	72	66
Post-employment benefits	11	8	-	-
	<u>362</u>	<u>371</u>	<u>72</u>	<u>66</u>

48. Financial information classified by operating segment

48.1 Financial position and results of operations classified by business activity

The financial position as at 30 June 2019 and 31 December 2018, and the operating results for the three-month and six-month periods ended 30 June 2019 and 2018, classified by domestic and foreign operations, are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	30 June 2019			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,078,035	25,313	(24,823)	1,078,525
Interbank and money market items (assets)	102,540	11,818	(24,823)	89,535
Investments	162,452	13,434	-	175,886
Investment in an associated company	3,256	-	-	3,256
Loans to customers and accrued interest receivables	747,262	-	-	747,262
Deposits	724,523	-	-	724,523
Interbank and money market items (liabilities)	80,597	24,823	(24,823)	80,597
Debt issued and borrowings	79,128	-	-	79,128

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 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				
For the three-month period ended 30 June 2019				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	12,298	198	(175)	12,321
Interest expenses	(4,249)	(175)	175	(4,249)
Net interest income	8,049	23	-	8,072
Net fees and service income	1,580	-	-	1,580
Net insurance/life insurance income	596	-	-	596
Other operating income	1,250	(17)	-	1,233
Other operating expenses	(5,794)	-	-	(5,794)
Impairment loss of loans and debt securities	(952)	-	-	(952)
Profit before income tax	4,729	6	-	4,735
Income tax	(929)	-	-	(929)
Profit before non-controlling interests	3,800	6	-	3,806

(Unit: Million Baht)

Consolidated financial statements				
For the three-month period ended 30 June 2018				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	11,512	218	(188)	11,542
Interest expenses	(3,918)	(188)	188	(3,918)
Net interest income	7,594	30	-	7,624
Net fees and service income	1,572	-	-	1,572
Net insurance/life insurance income	765	-	-	765
Other operating income	1,373	22	-	1,395
Other operating expenses	(5,145)	-	-	(5,145)
Impairment loss of loans and debt securities	(1,448)	-	-	(1,448)
Profit before income tax	4,711	52	-	4,763
Income tax	(621)	-	-	(621)
Profit before non-controlling interests	4,090	52	-	4,142

(Unit: Million Baht)

Consolidated financial statements				
For the six-month period ended 30 June 2019				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	24,337	411	(363)	24,385
Interest expenses	(8,390)	(364)	363	(8,391)
Net interest income	15,947	47	-	15,994
Net fees and service income	2,967	-	-	2,967
Net insurance/life insurance income	1,229	-	-	1,229
Other operating income	2,465	(24)	-	2,441
Other operating expenses	(10,846)	-	-	(10,846)
Impairment loss of loans and debt securities	(1,943)	-	-	(1,943)
Profit before income tax	9,819	23	-	9,842
Income tax	(1,975)	-	-	(1,975)
Profit before non-controlling interests	7,844	23	-	7,867

(Unit: Million Baht)

Consolidated financial statements				
For the six-month period ended 30 June 2018				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	22,819	345	(292)	22,872
Interest expenses	(7,792)	(292)	292	(7,792)
Net interest income	15,027	53	-	15,080
Net fees and service income	3,278	-	-	3,278
Net insurance/life insurance income	1,433	-	-	1,433
Other operating income	2,516	8	-	2,524
Other operating expenses	(10,573)	-	-	(10,573)
Impairment loss of loans and debt securities	(2,879)	-	-	(2,879)
Profit before income tax	8,802	61	-	8,863
Income tax	(808)	-	-	(808)
Profit before non-controlling interests	7,994	61	-	8,055

48.2 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 and Fund management business; (5) Life insurance business; and (6) Non-life insurance business.

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

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

(Unit: Million Baht)

For the three-month period ended 30 June 2019								
	The Company	Banking business	Securities and Fund management business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations Consolidated
Net interest income	(100)	7,426	43	62	57	(7)	637	(46) 8,072
Other operating income	2,002	2,909	2,215	(67)	1,229	14	342	(5,235) 3,409
Other operating expenses	(100)	(4,865)	(290)	(30)	(282)	(30)	(308)	111 (5,794)
Impairment loss of loans and debt securities	7	(674)	-	-	-	7	(34)	(258) (952)
Profit before income tax	1,809	4,796	1,968	(35)	1,004	(16)	637	(5,428) 4,735
Income tax	-	(737)	(393)	(14)	(199)	32	(127)	509 (929)
Profit before non-controlling interests	1,809	4,059	1,575	(49)	805	16	510	(4,919) 3,806

(Unit: Million Baht)

For the three-month period ended 30 June 2018								
	The Company	Banking business	Securities and Fund management business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations Consolidated
Net interest income	(124)	7,032	53	68	49	10	576	(40) 7,624
Other operating income	1,675	2,747	614	16	539	349	299	(2,507) 3,732
Other operating expenses	(79)	(4,338)	(308)	(34)	(241)	(35)	(249)	139 (5,145)
Impairment loss of loans and debt securities	(2)	(1,301)	-	-	-	(11)	(108)	(26) (1,448)
Profit before income tax	1,470	4,140	359	50	347	313	518	(2,434) 4,763
Income tax	-	(281)	(71)	(8)	(71)	(77)	(103)	(10) (621)
Profit before non-controlling interests	1,470	3,859	288	42	276	236	415	(2,444) 4,142

(Unit: Million Baht)

For the six-month period ended 30 June 2019

	The Company	Banking business	Securities and Fund management business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(200)	14,701	88	124	112	(6)	1,266	(91)	15,994
Other operating income	2,126	9,402	2,756	(160)	1,775	322	674	(10,258)	6,637
Other operating expenses	(153)	(9,092)	(574)	(72)	(538)	(67)	(595)	245	(10,846)
Impairment loss of loans and debt securities	12	(2,117)	1	-	-	296	(61)	(74)	(1,943)
Profit before income tax	1,785	12,894	2,271	(108)	1,349	545	1,284	(10,178)	9,842
Income tax	-	(1,365)	(450)	2	(266)	(103)	(260)	467	(1,975)
Profit before non-controlling interests	1,785	11,529	1,821	(106)	1,083	442	1,024	(9,711)	7,867

(Unit: Million Baht)

For the six-month period ended 30 June 2018

	The Company	Banking business	Securities and Fund management business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(249)	13,929	102	138	96	19	1,122	(77)	15,080
Other operating income	1,871	4,787	1,391	(42)	1,070	378	613	(2,833)	7,235
Other operating expenses	(129)	(8,996)	(614)	(68)	(478)	(59)	(495)	266	(10,573)
Impairment loss of loans and debt securities	(4)	(2,637)	-	-	-	(16)	(229)	7	(2,879)
Profit before income tax	1,489	7,083	879	28	688	322	1,011	(2,637)	8,863
Income tax	-	(179)	(171)	(7)	(138)	(90)	(199)	(24)	(808)
Profit before non-controlling interests	1,489	6,904	708	21	550	232	812	(2,661)	8,055

The segment assets of the Company and its subsidiaries as at 30 June 2019 and 31 December 2018 are as follow:

(Unit: Million Baht)

	The Company	Banking business	Securities and Fund management business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Segment assets									
As at 30 June 2019	41,411	1,000,715	11,403	9,423	15,023	4,370	51,226	(55,046)	1,078,525
As at 31 December 2018	37,644	984,124	9,557	9,765	14,494	4,622	48,658	(47,935)	1,060,929

48.3 Major of principal customers

During the six-month periods ended 30 June 2019 and 2018, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

49. Encumbrance of assets

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Interbank and money market items (assets)				
Placed at insurance registrar	1,250	1,850	-	-
Placed at court	2	2	-	-
Placed at the Office of Insurance Commission	5	5	-	-
Investment in securities				
Placed at insurance registrar	2,107	2,193	-	-
Placed under financial derivative contract	72	-	-	-
Placed at court	13	13	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback options or first rights refusal	1	1	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	545	288	-	-
	<u>3,996</u>	<u>4,353</u>	<u>-</u>	<u>-</u>

50. Commitments and contingent liabilities

As at 30 June 2019 and 31 December 2018, significant commitments and contingent liabilities consisted of:

50.1 Commitments

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Aval to bills	170	303	-	-
Guarantees of loans	2,359	2,402	-	-
Liability under unmatured import bills	150	283	-	-
Letter of credits	451	759	-	-
Other obligations				
Committed (but not drawn) overdraft	23,274	22,341	-	-
Others	62,965	61,019	1	1
Total	89,369	87,107	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 8 to the financial statements.

50.2 As at 30 June 2019, 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	951	9
2020	1,504	4
2021 onward	1,513	3

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

50.3 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 the FIDF. As at 30 June 2019, outstanding obligations are summarised below.

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

As at 30 June 2019, 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 the FIDF and any adjusting transactions will be within the limit of the funds set aside by the 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 51 to the financial statements.

- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in the FIDF's account. This deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if actual losses are incurred due to the outstanding issues described in a), b), c) and d) above. As at 30 June 2019, 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 the FIDF.

51. Contingent liabilities/litigation

As at 30 June 2019, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 2,151 million (separate financial statements: Baht 44 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.

52. Letter of guarantees

As at 30 June 2019, the Company and its subsidiaries had letter of guarantees issued by banks on behalf of the Company and its subsidiaries, amounting approximately Baht 29 million, placed for electricity usage (separate financial statements: Baht 1 million).

53. Financial instruments

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

53.1 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.

53.2 Market risk

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

a) Interest rate risk

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

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

As at 30 June 2019 and 31 December 2018, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	30 June 2019			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	8,760	8,760
Interbank and money market items	1,577	81,511	6,573	89,661
Derivatives assets	-	-	3,815	3,815
Investments	515	165,317	8,520	174,352
Loans to customers ⁽¹⁾	207,452	561,709	586	769,747
Receivables from purchase and sale of securities	-	-	5,423	5,423
Other assets - receivable from clearing house	-	-	384	384
<u>Financial liabilities</u>				
Deposits	351,382	366,331	6,810	724,523
Interbank and money market items	16,790	62,624	1,183	80,597
Liability payable on demand	-	-	1,874	1,874
Derivatives liabilities	-	-	2,969	2,969
Debt issued and borrowings	88	79,040	-	79,128
Payables from purchase and sale of securities	-	-	3,479	3,479
Other liabilities - payable to clearing house	-	-	1,216	1,216

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

(Unit: Million Baht)

Consolidated financial statements				
31 December 2018				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<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)

Separate financial statements				
30 June 2019				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	210	-	10	220
Investments	221	4,216	409	4,846
Loans to customers ⁽¹⁾	885	69	6	960
<u>Financial liabilities</u>				
Debt issued and borrowings	-	15,648	-	15,648
Payables from purchase and sale of securities	-	-	190	190

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

(Unit: Million Baht)

Separate financial statements				
31 December 2018				
Transactions	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.

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						
	30 June 2019						
	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	307	78,374	2,830	-	-	81,511	1.20 - 2.21
Investments	-	15,239	47,189	98,670	4,219	165,317	1.52 - 2.83
Loans to customers	6,618	36,936	18,177	259,381	240,597	561,709	6.49 - 10.59
<u>Financial liabilities</u>							
Deposits	18	104,628	196,132	65,553	-	366,331	1.73
Interbank and money market items	720	52,620	7,584	1,436	264	62,624	1.91 - 2.19
Debt issued and borrowings	702	5,149	42,345	22,944	7,900	79,040	1.50 - 6.65

(Unit: Million Baht)

	Consolidated financial statements						
	31 December 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
Financial assets							
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
Financial liabilities							
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)

Separate financial statements							
30 June 2019							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percent							
<u>Financial assets</u>							
Investments	-	2,757	1,309	150	-	4,216	1.84
Loans to customers	69	-	-	-	-	69	10.59
<u>Financial liabilities</u>							
Debt issued and borrowings	-	3,100	3,948	7,700	900	15,648	3.54

(Unit: Million Baht)

Separate financial statements							
31 December 2018							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percent							
<u>Financial assets</u>							
Investments	-	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

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest rate for the six-month periods ended 30 June 2019 and 2018 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2019			2018		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	85,029	949	2.23	92,290	931	2.02
Investments and trading operations	22,946	159	1.39	13,697	119	1.74
Investments in debt securities	134,362	1,335	1.99	133,322	1,323	1.98
Loans to customers/hire purchase and financial lease	745,554	21,942	5.89	700,625	20,499	5.85
<u>Interest bearings financial liabilities</u>						
Deposits	733,535	6,677	1.82	705,604	6,240	1.77
Interbank and money market items	73,127	579	1.58	69,164	440	1.27
Debt issued and borrowings	74,153	1,135	3.06	52,731	1,112	4.22

(Unit: Million Baht)

	Separate financial statements					
	2019			2018		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	66	-	1.36	16	-	2.97
Investments in debt securities	1,387	10	1.40	1,151	12	2.10
Loans to customers/hire purchase and financial lease	1,134	36	5.73	857	24	5.70
<u>Interest bearings financial liabilities</u>						
Debt issued and borrowings	12,904	246	3.82	12,271	285	4.65

b) Foreign exchange risk

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

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

The status of subsidiaries' foreign currency balances as at 30 June 2019 and 31 December 2018 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	30 June 2019				
				Australian	
	US Dollar	Euro	Yen	Dollar	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	66	12	7	4	11
Interbank and money market items	1,505	90	96	34	158
Investments	16,475	-	-	-	-
Loans to customers and accrued interest receivable	7,954	31	25	647	5
Other assets	202	-	-	-	-
Total assets	26,202	133	128	685	174
Deposits	628	32	1	40	58
Interbank and money market items	11,875	1	-	-	-
Other liabilities	835	46	3	-	34
Total liabilities	13,338	79	4	40	92
Net	12,864	54	124	645	82
<u>Foreign currency commitments</u>					
Guarantees of loans	758	1	-	-	-
Liability under unmatured import bills	103	1	16	-	-
Letter of credits	339	30	11	-	1
Others commitments	511	5	-	-	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 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	-	-	-
Other liabilities	306	6	2	-	5
Total liabilities	14,923	30	3	31	62
Net	14,391	185	127	1,389	172
<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	-	-	-

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

(Unit: Million Baht)

Consolidated financial statements					
30 June 2019					
	US Dollar	Euro	Yen	Australian Dollar	Others
Foreign exchange contracts					
- Bought	57,614	7,818	81	183	4,154
- Sold	53,804	7,828	200	805	4,215
Cross currency and interest rate swap contracts					
- Bought	2,243	-	-	-	-
- Sold	18,903	-	-	-	-
Interest rate swap contracts					
- Bought	55,257	-	-	-	-
- Sold	55,257	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 2018					
	US Dollar	Euro	Yen	Australian 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	-	-	-	-

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.

53.3 Liquidity risk

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

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

Counting from the financial position date, the periods to maturity of financial instruments held as at 30 June 2019 and 31 December 2018 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	30 June 2019				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	8,760	-	-	-	8,760
Interbank and money market items	8,457	81,204	-	-	89,661
Derivatives assets	-	1,351	2,464	-	3,815
Investments	520	62,140	103,178	8,514	174,352
Loans to customers ⁽¹⁾	39,845	188,993	540,909	-	769,747
Receivables from purchase and sale of securities	-	5,423	-	-	5,423
Other assets - receivable from clearing house	-	384	-	-	384
<u>Financial liabilities</u>					
Deposits	355,056	302,577	66,890	-	724,523
Interbank and money market items	19,443	59,455	1,699	-	80,597
Liability payable on demand	1,874	-	-	-	1,874
Derivatives liabilities	-	1,350	1,619	-	2,969
Debt issued and borrowings	790	47,494	30,844	-	79,128
Payables from purchase and sale of securities	-	3,479	-	-	3,479
Other liabilities - payable to clearing house	-	1,216	-	-	1,216
<u>Commitments</u>					
Aval to bill	17	145	8	-	170
Guarantees of loans	82	2,277	-	-	2,359
Liability under unmatured import bills	30	120	-	-	150
Letter of credits	79	372	-	-	451
Other commitments	37,788	46,595	1,856	-	86,239

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

(Unit: Million Baht)

Consolidated financial statements					
31 December 2018					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
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
Financial liabilities					
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
Commitments					
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)

Separate financial statements					
30 June 2019					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
Interbank and money market items	220	-	-	-	220
Investments	221	4,066	150	409	4,846
Loans to customers ⁽¹⁾	951	2	7	-	960
Financial liabilities					
Debt issued and borrowings	-	7,048	8,600	-	15,648
Payables from purchase and sale of securities	-	190	-	-	190
Commitments					
Other commitments	1	-	-	-	1

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

(Unit: Million Baht)

Separate financial statements					
31 December 2018					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
Financial assets					
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
Financial liabilities					
Debt issued and borrowings	-	3,600	8,600	-	12,200
Payables from purchase and sale of securities	-	192	-	-	192
Commitments					
Other commitments	1	-	-	-	1

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

53.4 Fair value

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries had the financial assets and financial liabilities which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	30 June 2019				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Derivatives assets	2,939	2,939	-	2,939	-
Investments	171,398	171,398	5,965	165,433	-
Derivatives liabilities	2,959	2,959	44	2,915	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land and buildings	9,769	9,769	-	-	9,769
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Cash	8,760	8,760	8,760	-	-
Interbank and money market items (assets)	89,535	89,535	7,756	63,851	17,928
Derivatives assets	876	845	-	845	-
Investments	4,488	10,192	-	558	9,634
Loans to customers	747,262	755,409	-	317,323	438,086
Receivables from purchase and sale of securities	5,423	5,423	-	5,423	-
Other assets - receivable from clearing house	384	384	-	384	-
Deposits	724,523	724,875	358,192	366,683	-
Interbank and money market items (liabilities)	80,597	80,599	17,573	45,045	17,981
Liability payable on demand	1,874	1,874	1,874	-	-
Derivatives liabilities	10	80	-	80	-
Debt issued and borrowings	79,128	79,826	-	79,826	-
Payables from purchase and sale of securities	3,479	3,479	-	3,479	-
Other liabilities - payable to clearing house	1,216	1,216	-	1,216	-

(Unit: Million Baht)

	Consolidated financial statements				
	31 December 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	55,835	-	55,835	-
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)

	Separate financial statements				
	30 June 2019				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Investments	5,180	5,180	851	4,329	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land and buildings	68	68	-	-	68
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Interbank and money market items (assets)	220	220	220	-	-
Investments	145	1,084	-	-	1,084
Loans to customers	886	886	-	872	14
Debt issued and borrowings	15,648	16,228	-	16,228	-
Payables from purchase and sale of securities	190	190	-	190	-

(Unit: Million Baht)

	Separate financial statements				
	31 December 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	12,747	-	12,747	-
Payables from purchase and sale of securities	192	192	-	192	-

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 5.23 to the financial statements.
Investments	<ul style="list-style-type: none">- The fair value of marketable securities is based on the latest bid price of the last working day of the period.- The fair value of debt securities is determined using the yield rates quoted by the Thai Bond Market Association or on other markets.- The fair value of unit trusts is determined from their net asset value, as mentioned in Note 5.3 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 and buildings	<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. - The fair value of buildings is determined using depreciated replacement cost approach, market comparison approach and income approach.
Receivables and payables from purchase and sale of securities	<ul style="list-style-type: none"> - The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.
Receivable from and payable to clearing house	<ul style="list-style-type: none"> - The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.
Deposits	<ul style="list-style-type: none"> - The fair value of payable on demand deposits, floating rate deposits or fixed rate deposits with no longer than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values. - The fair value of fixed rate deposits with more than 1 year from the statements of financial position date remaining to maturity is determined by discounting the expected future cash flows at the Thanachart Bank's interest rate for similar deposits.
Interbank and money market items (liabilities)	<ul style="list-style-type: none"> - The fair value of interbank and money market items payable on demand, floating rate deposits, fixed rate deposits with not more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values.

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

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

53.5 Financial derivatives

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

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

As at 30 June 2019 and 31 December 2018, the Company and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2019			31 December 2018		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	69,850	-	69,850	41,418	-	41,418
- Sold	66,852	-	66,852	39,935	-	39,935
Cross currency and interest rate swap contracts						
- Bought	1,402	841	2,243	276	2,102	2,378
- Sold	1,552	17,351	18,903	438	19,524	19,962
Interest rate swap contracts						
- Paid fixed interest rate	55,890	86,882	142,772	32,174	129,237	161,411
- Paid floating interest rate	38,182	87,041	125,223	33,349	108,866	142,215
- Received fixed interest rate	38,182	86,441	124,623	33,349	108,266	141,615
- Received floating interest rate	55,890	87,482	143,372	32,174	129,837	162,011
Future contracts						
- Bought	146	-	146	53	-	53
- Sold	1,329	-	1,329	876	-	876
Derivative warrant contracts						
- Sold	448	-	448	9	-	9
Other						
- Sold	386	-	386	278	-	278

54. Events after the reporting period

On 7 August 2019, the Board of Directors Meeting of the Company No. 9/2019 approved the restructuring of the business of the Company and Thanachart Bank Plc., plans for the merger between Thanachart Bank Plc. and TMB Bank Plc. and related actions plans, including approval to enter into agreements, with the Board of Directors authorised to negotiate and make decisions on certain significant additional provisions. The Company, TMB Bank Plc. and Scotia Netherlands Holdings B.V. ("BNS") are concluded and signed the related agreement on 8 August 2019.

55. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 August 2019.