



# **Thanachart Capital Public Company Limited**

## **Financial Summary**

**Management's Discussion and Analysis for the Year 2018**

**Supporting Documents for 2019 Annual General Meeting of Shareholders**

Wednesday, 24 April 2019, at 14.00 Hours,  
the Athenee Crystal Hall, 3<sup>rd</sup> Floor,  
The Athenee Hotel, a Luxury Collection Hotel, Bangkok,  
61 Wireless Road (Witthayu), Lumpini, Pathumwan, Bangkok 10330.

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For more information, please contact the Corporate Secretary Office

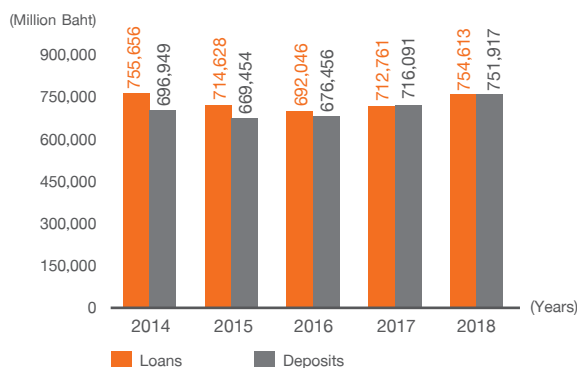
Tel. 0-2217-8000 ext. 3004, 3008-3012 Facsimile 0-2217-8312

# FINANCIAL HIGHLIGHTS

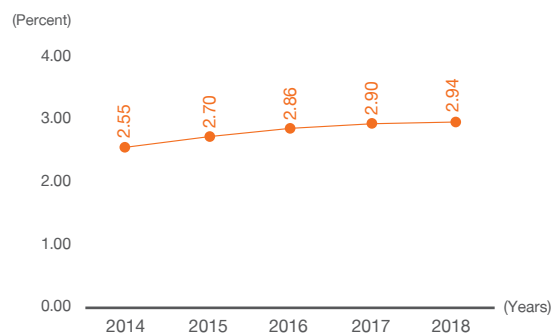
As at and for the year ended 31 December

	CONSOLIDATED				
	2018	2017	2016	2015	2014
<b>Operating Performance (Million Baht)</b>					
Interest Income	46,559	44,681	45,208	48,640	52,940
Interest Expenses	15,792	15,511	16,740	20,910	25,475
Net Interest Income	30,767	29,170	28,468	27,730	27,465
Non-interest Income	13,408	13,402	12,231	12,474	12,443
Net Operating Income <sup>(1)</sup>	44,175	42,572	40,699	40,204	39,908
Other Operating Expenses	20,979	20,836	21,025	20,319	19,830
Impairment Loss of Loans and Debt Securities	4,785	6,236	6,210	8,600	7,084
Profit before Income Tax	18,411	15,500	13,464	11,285	12,994
Income Tax	2,605	1,159	853	225	2,558
Profit for the Year	15,806	14,341	12,611	11,060	10,436
Net Profit of the Company	7,839	7,001	6,013	5,436	5,120
Net Profit of Non-controlling Interest	7,967	7,340	6,598	5,624	5,316
<b>Operating Performance Ratios (Percent)</b>					
Return on Average Assets (ROAA)	1.54	1.45	1.29	1.12	1.02
Return on Average Equity <sup>(2)</sup> (ROAE)	12.25	11.80	10.89	10.48	10.39
Interest Spread <sup>(3)</sup>	2.94	2.90	2.86	2.70	2.55
Credit Cost	0.57	0.79	0.86	1.12	0.88
Cost to Income Ratio <sup>(4)</sup>	47.49	48.94	51.66	50.54	49.69
<b>Financial Position (Million Baht)</b>					
Loans	754,613	712,761	692,046	714,628	755,656
Non-performing Loans (NPLs)	20,172	18,894	17,289	22,581	33,768
Total Assets	1,060,929	1,025,525	966,867	997,581	1,025,630
Deposits	751,917	716,091	676,456	669,454	696,949
Total Liabilities	923,011	895,455	847,016	886,258	921,354
Total Equity	137,918	130,070	119,851	111,323	104,276
Equity Attributable to Owners of the Company	65,735	62,020	56,891	52,674	51,353

Loans and Deposits



Interest Spread



## Definitions and Calculation Formulas

<sup>(1)</sup> Net Operating Income = Net Interest Income + Non-interest Income

<sup>(2)</sup> Excluding Non-controlling Interests

<sup>(3)</sup> Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

(Earning Assets = Interbank and Money Market Items from Interest Bearing + Net Investments + Loans)

Cost of Fund = Interest Expenses / Average Paying Liabilities

(Paying Liabilities = Deposits + Interbank and Money Market Items from Interest Bearing + Debts Issued and Borrowings)

<sup>(4)</sup> Cost to Income Ratio = Other Operating Expenses / Net Operating Income

<sup>(5)</sup> Coverage Ratio = Total Allowance / Non-performing Loans

<sup>(6)</sup> Reserve to Required Reserve = Total Allowance / Reserve Required by the BOT

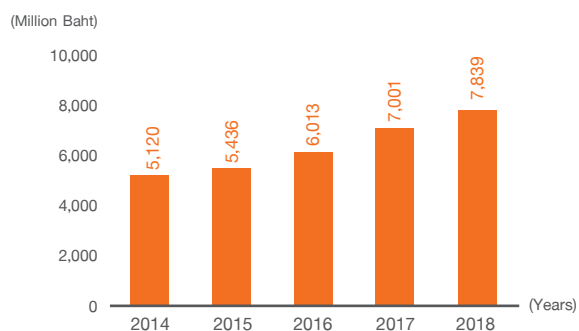
<sup>(7)</sup> Dividend per Share for 2018 is Interim Rate Paid

<sup>(8)</sup> Local Board / Highest and Lowest Share Prices During the Year

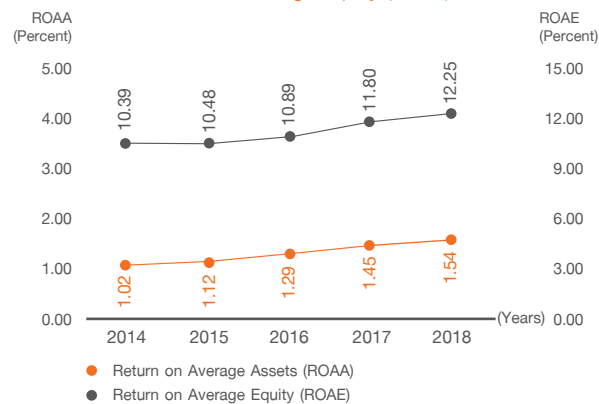
As at and for the year ended 31 December

	CONSOLIDATED				
	2018	2017	2016	2015	2014
<b>Financial Position Quality (Percent)</b>					
Loans to Deposits Ratio	100.36	99.53	102.30	106.75	108.42
NPL-gross to Total Loans	2.40	2.40	2.41	2.96	4.21
NPL-net to Net Total Loans	1.26	1.23	1.12	1.30	2.06
Coverage Ratio <sup>(5)</sup>	120.49	131.06	146.79	117.16	84.89
Reserve to Required Reserve <sup>(6)</sup>	153.56	170.48	189.19	157.71	132.64
<b>Capital Adequacy</b>					
<b>(Consolidated Supervision of the BOT)</b>					
Tier I Capital Ratio (Percent)	12.97	12.62	11.30	10.29	9.37
Total Capital Ratio (Percent)	15.57	15.33	15.59	14.71	13.59
Risk Weighted Assets (Million Baht)	786,474	757,218	771,056	763,285	809,876
<b>Common Share Information</b>					
<b>Information per Share (Baht)</b>					
Basic Earnings per Share	6.74	6.01	5.16	4.61	4.24
Book Value	57.15	53.23	48.83	45.21	42.56
Dividend <sup>(7)</sup>	1.00	2.20	2.00	1.80	1.60
<b>Common Shares Outstanding (Million Shares)</b>					
Average-Basic	1,164	1,165	1,165	1,179	1,206
End of Year	1,150	1,165	1,165	1,165	1,206
<b>Share Price <sup>(8)</sup> (Baht)</b>					
Highest	60.25	58.00	44.75	37.00	38.75
Lowest	46.25	43.75	33.00	28.25	30.00
Closing	49.75	56.25	44.00	36.50	31.75
Market Capitalization (Million Baht)	57,965	65,539	51,266	42,527	38,306
<b>Other Information</b>					
Employees	13,893	13,885	14,763	14,905	14,971

Net Profit of the Company



Return on Average Assets (ROAA) and Return on Average Equity (ROAE)





# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Thanachart Capital Public Company Limited**

## **Opinion**

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

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

## **Basis for Opinion**

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

## **Key Audit Matters**

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

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

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

## **Allowances for doubtful accounts**

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

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

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

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

## **Recognition of interest income**

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

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

## **Goodwill**

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

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

## **Insurance contract liabilities**

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

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

## **Other Information**

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

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



Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
Bangkok: 25 February 2019

# STATEMENT OF FINANCIAL POSITION

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Assets</b>					
Cash		11,021,897	11,453,283	-	-
Interbank and money market items - net	6	99,117,357	95,918,183	23,512	22,346
Derivatives assets	7	2,005,388	2,889,208	-	-
Investments - net	8	170,436,987	178,702,646	1,855,854	2,787,420
Investments in subsidiary and associated companies - net	9	3,026,903	2,827,333	33,166,944	33,822,462
Loans to customers and accrued interest receivables	10				
Loans to customers		820,771,229	767,889,652	1,466,959	806,749
Accrued interest receivables		656,970	601,200	2	2
Total loans to customers and accrued interest receivables		821,428,199	768,490,852	1,466,961	806,751
Less: Deferred revenue		(66,158,693)	(55,128,589)	(2,117)	(1,951)
Allowance for doubtful accounts	11	(24,144,379)	(24,517,149)	(86,371)	(79,899)
Revaluation allowance for debt restructuring	12	(603)	(977)	-	-
Net loans to customers and accrued interest receivables		731,124,524	688,844,137	1,378,473	724,901
Customers' liability under acceptances		9,164	9,824	-	-
Property foreclosed - net	14	4,822,435	4,747,089	851,814	708,943
Land, premises and equipment - net	15	8,042,888	8,677,958	38,623	45,502
Intangible assets - net	16	1,850,151	2,263,007	759	873
Goodwill	17	17,799,200	17,636,604	-	-
Deferred tax assets	18	779,113	908,093	-	-
Receivables from purchase and sale of securities	19	2,639,539	3,126,780	289,344	-
Other assets - net	20	8,253,626	7,520,778	38,254	37,050
<b>Total assets</b>		<b>1,060,929,172</b>	<b>1,025,524,923</b>	<b>37,643,577</b>	<b>38,149,497</b>

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



## STATEMENT OF FINANCIAL POSITION (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Liabilities and equity</b>					
Deposits	21	751,916,956	716,091,089	-	-
Interbank and money market items	22	71,922,702	82,342,804	-	-
Liability payable on demand		1,163,165	1,988,656	-	-
Derivatives liabilities	7	2,097,019	2,867,633	-	-
Debts issued and borrowings	23	55,012,914	51,595,578	12,200,000	12,700,000
Bank's liability under acceptances		9,164	9,824	-	-
Provisions	24	3,914,644	3,679,324	28,683	25,888
Deferred tax liabilities	18	1,402,533	1,323,465	133,868	149,488
Accrued interest payables	25	2,276,928	2,453,222	89,756	98,371
Insurance contracts liabilities	26	14,061,571	14,641,100	-	-
Payables from purchase and sale of securities	27	1,324,840	2,258,566	192,451	-
Other liabilities	28	17,908,473	16,203,390	315,569	302,084
<b>Total liabilities</b>		<b>923,010,909</b>	<b>895,454,651</b>	<b>12,960,327</b>	<b>13,275,831</b>

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

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

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

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



# STATEMENT OF COMPREHENSIVE INCOME

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

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

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

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

# STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2018

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

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2018	2017	2018	2017
<b>Other comprehensive income</b>	43				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		(1,460,910)	1,330,352	(78,042)	114,174
Share of other comprehensive income (loss) of an associate		(93,732)	32,782	-	-
Income tax relating to components of other comprehensive income (loss)		297,067	(267,443)	15,608	(22,835)
		(1,257,575)	1,095,691	(62,434)	91,339
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive losses of an associate		(158)	-	-	-
Actuarial gains (losses) on defined benefit plan		3,543	(235,784)	(621)	(2,272)
Income tax relating to components of other comprehensive income (loss)		236	46,560	-	-
		3,621	(189,224)	(621)	(2,272)
<b>Total other comprehensive income (loss)</b>		(1,253,954)	906,467	(63,055)	89,067
<b>Total comprehensive income</b>		14,552,597	15,247,631	3,253,384	2,468,305
<b>Profit attributable to</b>					
The Company		7,839,428	7,001,170	3,316,439	2,379,238
Non-controlling interests		7,967,123	7,339,994	-	-
		15,806,551	14,341,164	3,316,439	2,379,238
<b>Total comprehensive income attributable to</b>					
The Company		7,142,971	7,515,427	3,253,384	2,468,305
Non-controlling interests		7,409,626	7,732,204	-	-
		14,552,597	15,247,631	3,253,384	2,468,305
<b>Earnings per share of the Company</b>	44				
Basic earnings per share (Baht per share)		6.74	6.01	2.85	2.04
Diluted earnings per share (Baht per share)		6.74	6.01	2.85	2.04

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

## Statement of changes in equity

For the year ended 31 December 2018

(Unit: Thousand Baht)

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



# STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

		Separate financial statements						
		Other components of equity			Retained earnings			
Issued and paid-up share capital		Premium on common share	Revaluation surplus on investments - net	Revaluation surplus on assets	Appropriated		Unappropriated	Total
Preferred shares	Common shares				Statutory reserve	Treasury shares reserve		
132	12,064,665	2,065,645	490,247	12,278	1,277,830	1,399,914	8,940,189	24,850,986
-	-	-	-	-	-	-	(2,446,773)	(2,446,773)
-	-	-	-	-	-	-	1,148	1,148
-	-	-	-	-	-	-	2,379,238	2,379,238
-	-	-	91,339	-	-	-	(2,272)	89,067
132	12,064,665	2,065,645	581,586	12,278	1,277,830	1,399,914	8,871,530	24,873,666
132	12,064,665	2,065,645	581,586	12,278	1,277,830	1,399,914	8,871,530	24,873,666
-	-	-	-	-	-	-	(2,679,798)	(2,679,798)
-	-	-	-	-	-	-	978	978
-	-	-	-	-	-	-	(764,980)	(764,980)
-	-	-	-	-	-	764,980	(764,980)	-
-	(413,500)	-	-	-	-	(1,399,914)	413,500	-
-	-	-	-	-	-	-	3,316,439	3,316,439
-	-	-	(62,434)	-	-	-	(621)	(63,055)
132	11,651,165	2,065,645	519,152	12,278	1,277,830	764,980	9,157,048	24,683,250

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





# STATEMENT OF CASH FLOWS

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

**Statement of cash flows**

**For the year ended 31 December 2018**

(Unit: Thousand Baht)

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

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

# STATEMENT OF CASH FLOWS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

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

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



## STATEMENT OF CASH FLOWS (CONTINUED)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the year ended 31 December 2018

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Cash flows from financing activities</b>				
Cash received from debts issued and borrowings	17,620,202	13,223,572	3,100,000	500,000
Cash paid for debts issued and borrowings	(14,202,866)	(23,332,157)	(3,600,000)	(500,000)
Cash paid for interest expenses on debts issued and borrowings	(2,250,088)	(2,770,330)	(577,893)	(578,107)
Cash paid for dividend	(2,678,820)	(2,445,625)	(2,678,820)	(2,445,625)
Cash paid for treasury shares	(572,528)	-	(572,528)	-
Cash paid for dividend to non-controlling interests	(3,264,064)	(2,660,644)	-	-
<b>Net cash flows used in financing activities</b>	<b>(5,348,164)</b>	<b>(17,985,184)</b>	<b>(4,329,241)</b>	<b>(3,023,732)</b>
<b>Net decrease in cash</b>	<b>(431,386)</b>	<b>(623,764)</b>	<b>-</b>	<b>-</b>
<b>Cash at beginning of the year</b>	<b>11,453,283</b>	<b>12,077,047</b>	<b>-</b>	<b>-</b>
<b>Cash at end of the year</b>	<b>11,021,897</b>	<b>11,453,283</b>	<b>-</b>	<b>-</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Property foreclosed transferred from loans to customers and investments in receivables purchased	6,126,696	4,793,307	-	-
Property foreclosed received from capital returned from a subsidiary company	-	-	98,110	93,183
Bad debt written off	5,653,975	7,672,958	-	771
Payable from purchase of assets	83,612	33,265	-	-

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Thai Economic Condition, and Commercial Bank Competition

In 2018, the Thai economy expanded by 4.1 percent, an increase from the previous year growth of 4.0 percent, mainly from export sector, although the growth rate has slowed down in the second half of the year as a result of the subdued economies of the trade partnering countries and the trade war between the US and China. Government spending, private investment and private consumption continued growing. As for the tourism sector, the growth rate showed a declining trend from the previous year mainly due to declining number of Chinese tourists. As the Thai economy showed a trend of expansion while inflation has been increasing gradually following increase in demand, the Monetary Policy Committee of the BOT issued a resolution to increase the policy rate from 1.50 percent per annum to 1.75 percent per annum in the fourth quarter of 2018, in order to mitigate risk for financial stability and to enhance future economic growth.

In 2018, loan volume in the commercial bank industry showed an increasing trend following economic improvement. Corporate loans showed a tendency to grow especially in the wholesale and retail businesses, as well as in real-estate. Retail loans increased from housing loans and hire purchase loans. Non-performing loans increased slightly from the previous year.

For 2019, the Thai economy is expected to grow 3.5 - 4.5 percent as predicted by the Office of the National Economic and Social Development Council. The key supporting drivers include private consumption that tends to have a favorable growth, private investment and public investment that are expected to grow strongly, as well as expected recovery from tourism sector to its normal level. However, export sector may slow down as the global economy may be subdued and trade war between the US and China continues.

### Overview of Performance

#### For the year ended 31 December 2018

The Company operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company's performance is mainly from the performance of TBANK and its subsidiaries. The Company holds shares in TBANK 50.96 percent. As a result, profit attributable to the Company is calculated from the proportion shareholding of the Company in each subsidiary company. In order to compare its operating results with other companies' in the industry, the financial information presented in this report is based on consolidated financial statements.

In 2018, the Company and its subsidiaries' net profit according to the consolidated financial statements amounted to 15,806 million baht, an increase of 1,465 million baht or 10.22 percent from the previous year. The increase was the fourth consecutive year of net profit growth. This was mainly from the increase in net operating income. Net interest income increased from loan growth while non-interest income increased from net fees and service income. From the Group's effective management of asset quality, its impairment loss of loans and debt securities declined. At the same time, operating expenses increased slightly from decent cost management. As a result, profit before tax of the Company and its subsidiaries increased by 18.78 percent. However, income tax increased due to the fact that Thanachart Bank fully utilized all of its tax benefit in May 2018.

On assets side, Thanachart Group had a loan growth of 5.87 percent from the end of last year. The growth was mainly from retail loans, especially hire purchase loans and SME loans. Deposits increased from the increase in savings deposits. As a result, CASA ratio accounted for 48.50 percent, an increase from 42.92 at the end of the previous year.

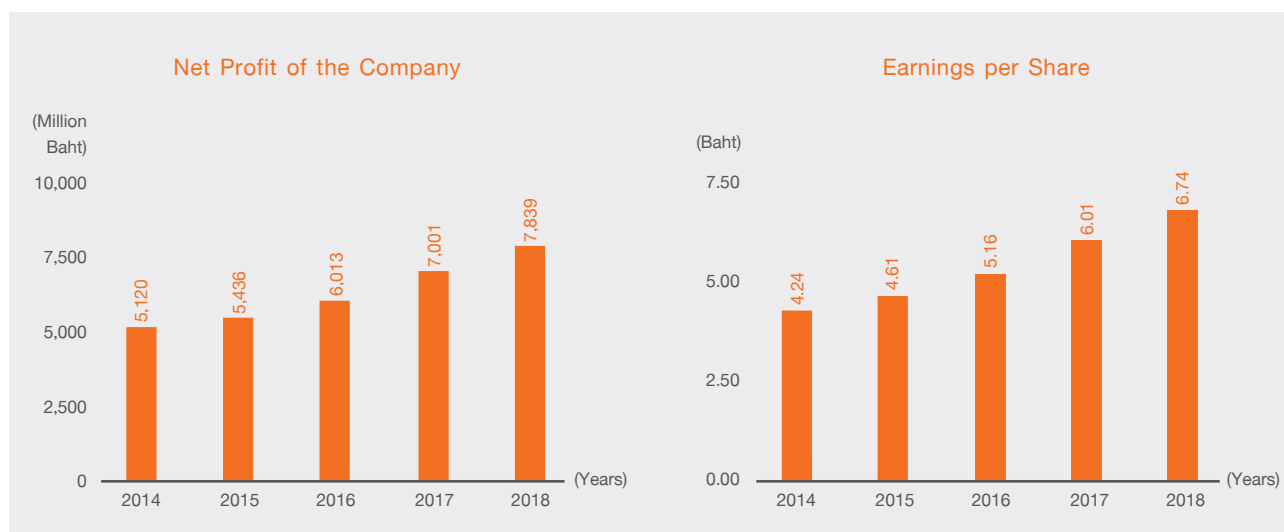
On asset quality, NPL ratio was at 2.40 percent, stable from the previous year. Coverage ratio was at 120.49 percent.

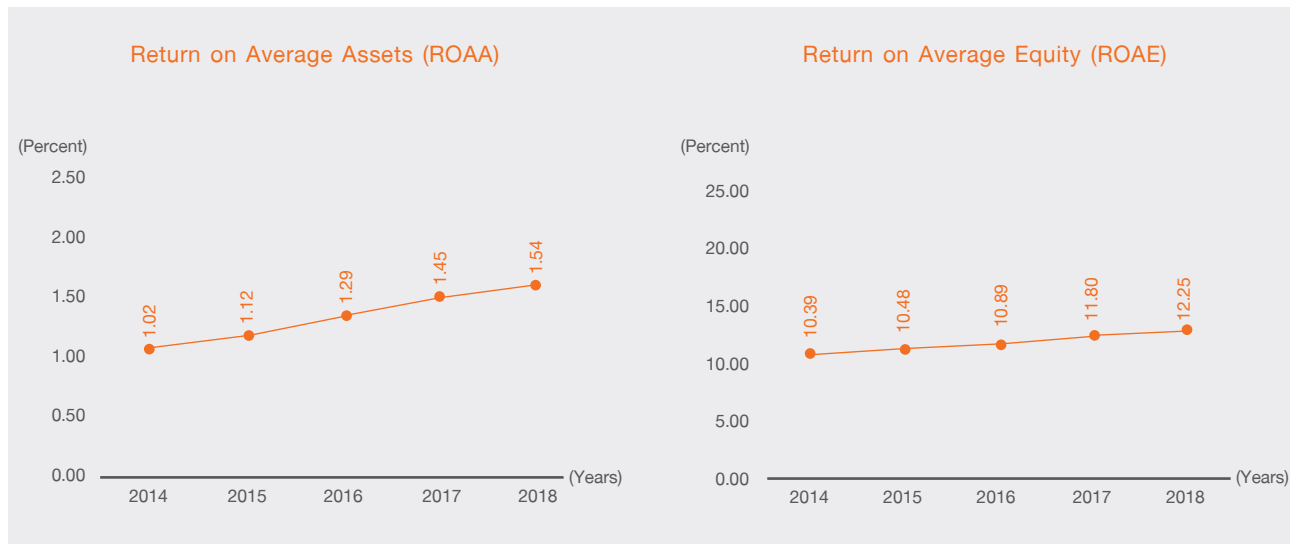
In 2018, net profit attributable to the Company was 7,839 million baht, an increase of 838 million baht or 11.97 percent from the previous year. Earning per share (EPS) was 6.74 baht, an increase from 6.01 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.54 percent and 12.25 percent, respectively.

(Unit: Million Baht)

Consolidated Statements of Comprehensive Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Interest Income	46,559	44,681	1,878	4.20
Interest Expenses	15,792	15,511	281	1.81
<b>Net Interest Income</b>	<b>30,767</b>	<b>29,170</b>	<b>1,597</b>	<b>5.47</b>
Net Fees and Service Income	6,658	5,890	768	13.04
Operating Income <sup>(1)</sup>	6,750	7,512	(762)	(10.14)
<b>Net Operating Income</b>	<b>44,175</b>	<b>42,572</b>	<b>1,603</b>	<b>3.77</b>
Other Operating Expenses	20,979	20,836	143	0.69
Impairment Loss of Loans and Debt Securities	4,785	6,236	(1,451)	(23.27)
<b>Profit before Income Tax</b>	<b>18,411</b>	<b>15,500</b>	<b>2,911</b>	<b>18.78</b>
Income Tax	2,605	1,159	1,446	124.76
<b>Profit for the Year</b>	<b>15,806</b>	<b>14,341</b>	<b>1,465</b>	<b>10.22</b>
<b>Profit Attributable to the Company</b>	<b>7,839</b>	<b>7,001</b>	<b>838</b>	<b>11.97</b>
Profit Attributable to Non-controlling Interests	7,967	7,340	627	8.54
<b>Earnings per Share (Baht)</b>	<b>6.74</b>	<b>6.01</b>	<b>0.73</b>	<b>12.15</b>
<b>Weighted Average Number of Ordinary Shares (Million Shares)</b>	<b>1,163.86</b>	<b>1,165.13</b>	<b>(1.27)</b>	<b>(0.11)</b>

**Note:** <sup>(1)</sup> Operating income net insurance/life insurance expenses





## Net Interest Income

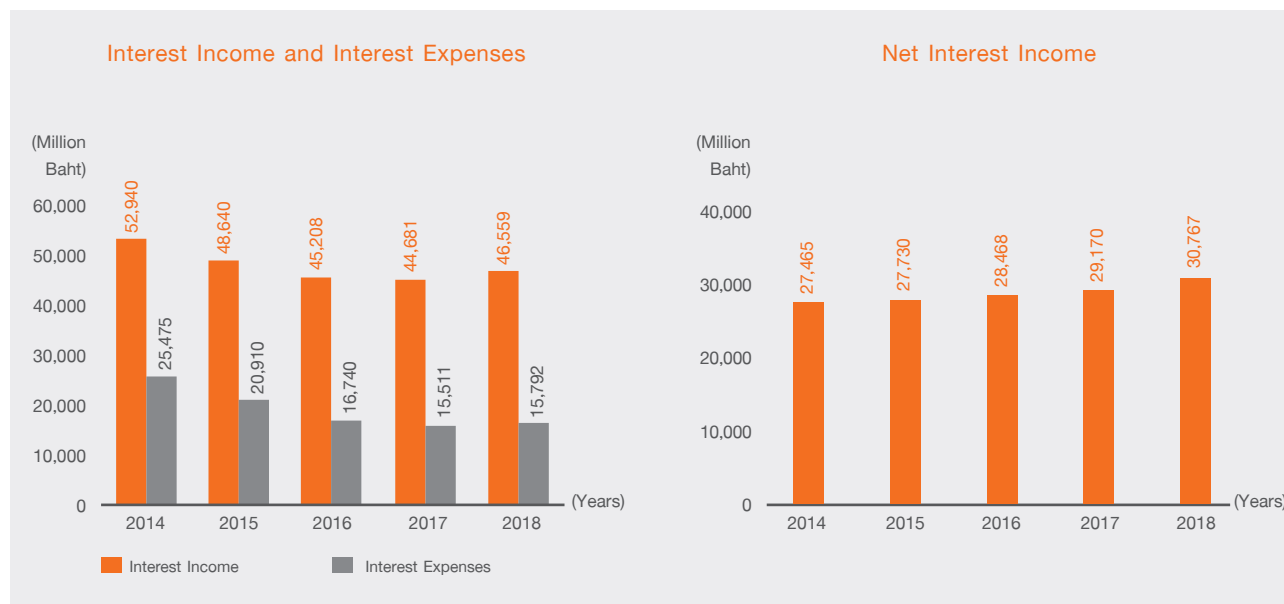
(Unit: Million Baht)

Net Interest Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
<b>Interest Income</b>				
Interbank and Money Market Items	1,779	1,391	388	27.89
Investments and Trading Transactions	257	238	19	7.98
Investments in Debt Securities	2,689	3,191	(502)	(15.73)
Loans to Customers	17,579	17,786	(207)	(1.16)
Hire Purchase and Financial Lease	24,255	22,075	2,180	9.88
<b>Total Interest Income</b>	<b>46,559</b>	<b>44,681</b>	<b>1,878</b>	<b>4.20</b>
<b>Interest Expenses</b>				
Deposits	9,063	8,698	365	4.20
Interbank and Money Market Items	997	791	206	26.04
Contribution Fee to the Financial Institution Development Fund and the Deposit Protection Agency	3,482	3,348	134	4.00
Debts Issued and Borrowings	2,238	2,666	(428)	(16.05)
Borrowings Cost	12	8	4	50.00
<b>Total Interest Expenses</b>	<b>15,792</b>	<b>15,511</b>	<b>281</b>	<b>1.81</b>
<b>Net Interest Income</b>	<b>30,767</b>	<b>29,170</b>	<b>1,597</b>	<b>5.47</b>

In 2018, the Company and its subsidiaries had 30,767 million baht in net interest income, an increase of 1,597 million baht or 5.47 percent from the previous year. Interest Spread was at 2.94 percent, an increase from 2.90 percent in the end of last year.

- Interest income was 46,559 million baht, an increase of 1,878 million baht or 4.20 percent. This was from the expansion of loans, especially the hire purchase loans and the increase in yield on earning assets from 4.80 percent to 4.82 percent.

- Interest expenses were 15,792 million baht, an increase of 281 million baht or 1.81 percent. This was due to the effective cost of fund management under TBANK's liquidity management strategy. As a result, the cost of fund declined from 1.90 percent to 1.88 percent.



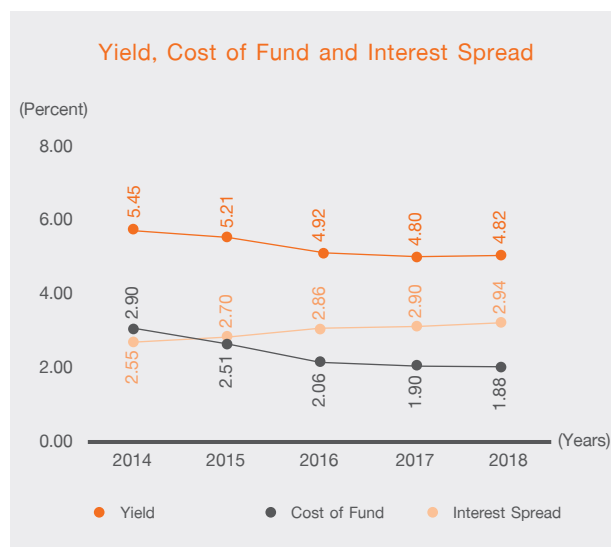
### Interest Spread

(Unit: Percent)

Interest Spread	For the Year	
	2018	2017
Yield <sup>(1)</sup>	4.82	4.80
Cost of Fund <sup>(2)</sup>	1.88	1.90
<b>Interest Spread</b>	<b>2.94</b>	<b>2.90</b>

**Notes:** <sup>(1)</sup> Yield = Total Interest Income / (Average Interbank and Money Market Items with Interest Bearing + Average Net Investments + Average Loans to Customers)

<sup>(2)</sup> Cost of Fund = Total Interest Expenses / (Average Deposits + Average Interbank and Money Market Items with Interest Bearing + Average Debts Issued and Borrowings)



## Non-interest Income

(Unit: Million Baht)

Non-interest Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Fees and Service Income	10,244	9,097	1,147	12.61
Fees and Service Expenses	3,586	3,207	379	11.82
<b>Net Fees and Service Income</b>	<b>6,658</b>	<b>5,890</b>	<b>768</b>	<b>13.04</b>
Gains on Trading and Foreign Exchange Transactions	310	665	(355)	(53.38)
Gains on Investments	459	1,908	(1,449)	(75.94)
Share of Profit from Investments Accounted for Under Equity Method	543	337	206	61.13
Gains on Properties Foreclose and Other Assets	588	52	536	1,030.77
Net Insurance/Life Insurance Income	2,808	2,605	203	7.79
Dividend Income	502	557	(55)	(9.87)
Other Operating Income	1,540	1,388	152	10.95
<b>Total Other Operating Income</b>	<b>6,750</b>	<b>7,512</b>	<b>(762)</b>	<b>(10.14)</b>
<b>Total Non-interest Income</b>	<b>13,408</b>	<b>13,402</b>	<b>6</b>	<b>0.04</b>

Non-interest income of the Company and its subsidiaries in 2018 amounted to 13,408 million baht, an increase of 6 million baht or 0.04 percent from the previous year.

### Net Fees and Service Income

In 2018, net fees and service income amounted to 6,658 million baht, an increase of 768 million baht or 13.04 percent. This was mainly due to the increases in fund management fees and commission received from selling insurance / life insurance.

### Other Operating Income

Other operating income amounted to 6,750 million baht, a decrease of 762 million baht or 10.14 percent. The main reasons were from:

- Gains on investment amounted to 459 million baht, a decrease of 1,449 million baht or 75.94 percent from investment portfolio adjustment to be in line with the market condition.
- Gains on tradings and foreign exchange transactions amounted to 310 million baht, a decrease of 355 million baht or 53.38 percent.
- Dividend in come amounted to 502 million baht, a decrease of 55 million baht or 9.87 percent.

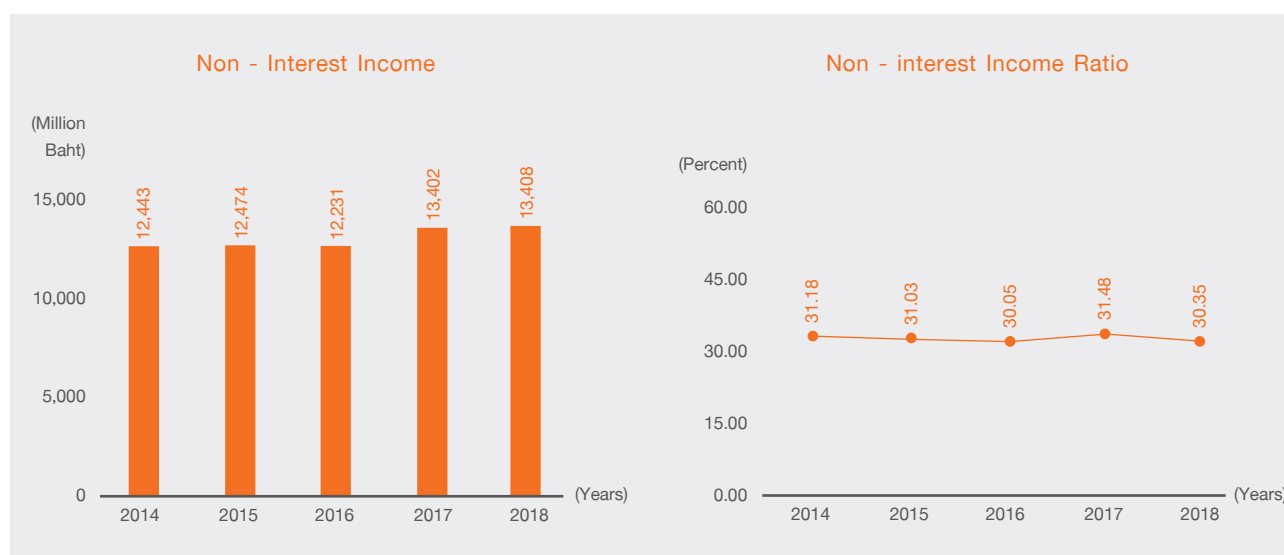


- Gains on properties foreclose and other assets amounted to 588 million baht, an increase of 536 million baht or 1,030.77 percent.

- Share of profit from investments accounted for under equity amounted to 543 million baht, an increase of 206 million baht or 61.13 percent.

- Net insurance / life insurance income amounted to 2,808 million baht, an increase of 203 million baht or 7.79 percent.

Non-interest income ratio of 2018 was at 30.35 percent, a decrease from 31.48 percent of the previous year. The decrease was a result of the increase in net interest income at a higher rate than that of the non-interest income.

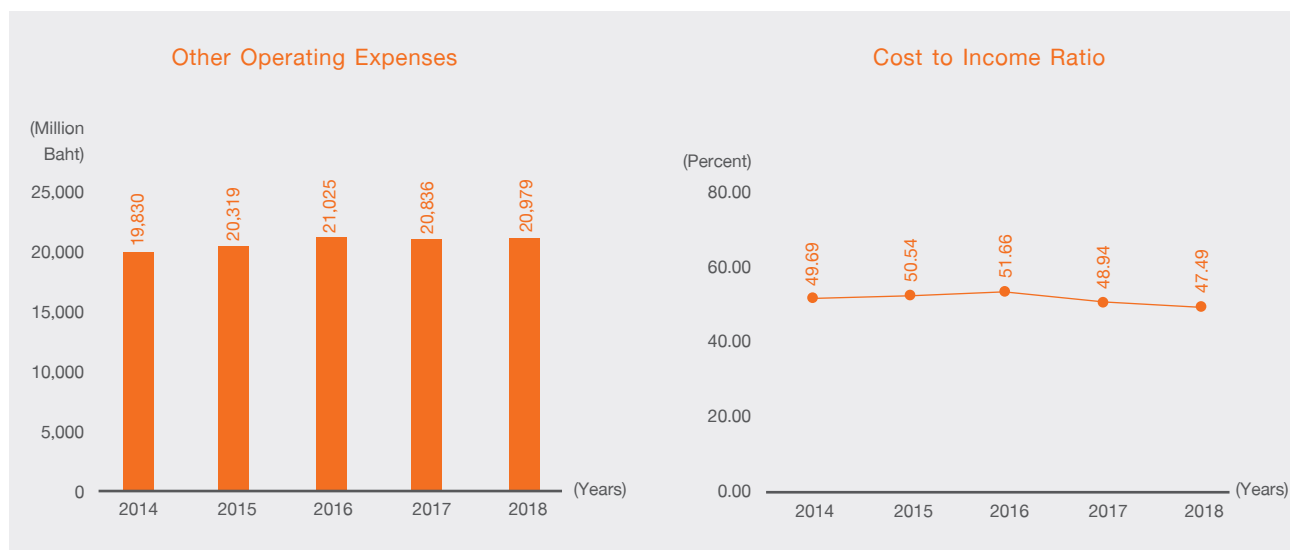


## Other Operating Expenses

(Unit: Million Baht)

Other Operating Expenses	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Employee's Expenses	11,413	12,202	(789)	(6.47)
Directors' Remuneration	102	93	9	9.68
Premises and Equipment Expenses	2,629	2,835	(206)	(7.27)
Taxes and Duties	733	746	(13)	(1.74)
Other Expenses	6,102	4,960	1,142	23.02
<b>Total Other Operating Expenses</b>	<b>20,979</b>	<b>20,836</b>	<b>143</b>	<b>0.69</b>

In 2018, other operating expenses of the Company and its subsidiaries amounted to 20,979 million baht, an increase of 143 million baht or 0.69 percent from the previous year, due to the effective cost management. As a result, cost to income ratio of 2018 was at 47.49 percent, a decrease from the previous year of 48.94 percent.

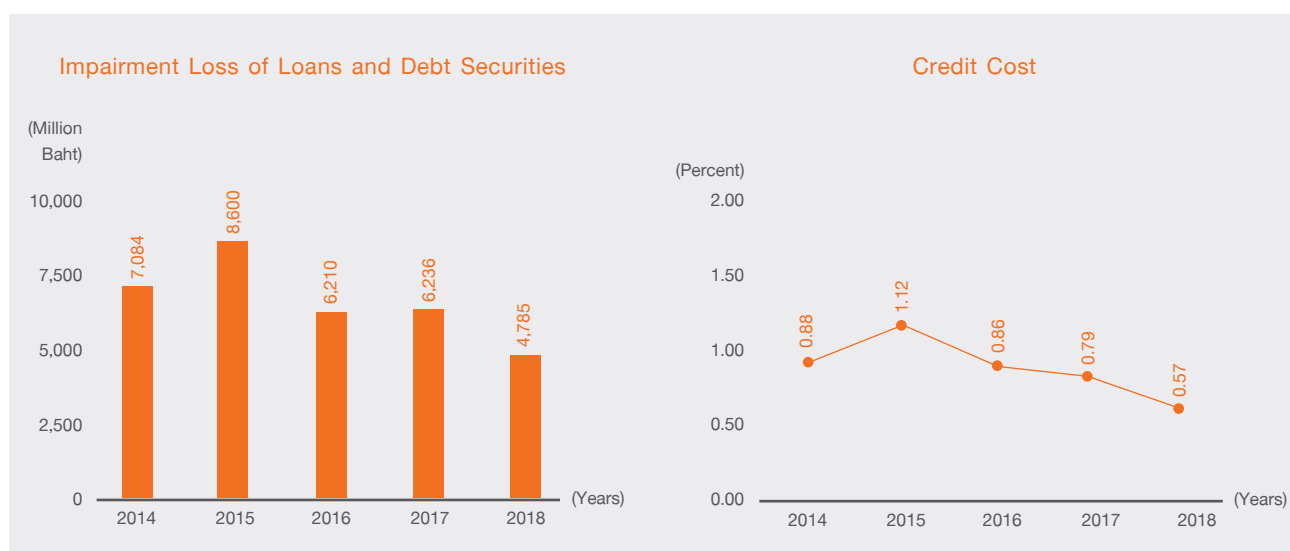


## Impairment Loss of Loans and Debt Securities

(Unit: Million Baht)

Impairment Loss of Loans and Debt Securities	For the Year		Change	
	2018	2017	Increase/(Decrease)	Percent
Impairment Loss of Loans and Debt Securities	4,785	6,236	(1,451)	(23.27)
Credit Cost (Percent)	0.57	0.79	(0.22)	(27.85)

In 2018, the Company and its subsidiaries had impairment loss of loans and debt securities in the amount of 4,785 million baht, a decrease of 1,451 million baht or 23.27 percent from the previous year. As a result, credit cost was at 0.57 percent, a decrease from the previous year of 0.79 percent.



## Financial Position

(Unit: Million Baht)

Consolidated Statements of Financial Position	31 December 2018		31 December 2017		Change	
	Amount	Percent	Amount	Percent	Increase/ (Decrease)	Percent
Cash	11,022	1.04	11,453	1.12	(431)	(3.76)
Interbank and Money Market Items - net	99,117	9.34	95,918	9.35	3,199	3.34
Investments - net	170,437	16.07	178,703	17.42	(8,266)	(4.63)
Investments in Associated Company - net	3,027	0.29	2,827	0.28	200	7.07
Loans to Customers	754,613	71.13	712,761	69.50	41,852	5.87
Accrued Interest Receivables	657	0.06	601	0.06	56	9.32
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,145)	(2.28)	(24,518)	(2.39)	373	(1.52)
Property Foreclosed - net	4,822	0.45	4,747	0.46	75	1.58
Intangible Assets from Business Combination - net	361	0.03	677	0.07	(316)	(46.68)
Goodwill	17,799	1.68	17,637	1.72	162	0.92
Other Assets	23,219	2.19	24,719	2.41	(1,500)	(6.07)
<b>Total Assets</b>	<b>1,060,929</b>	<b>100.00</b>	<b>1,025,525</b>	<b>100.00</b>	<b>35,404</b>	<b>3.45</b>
Deposits	751,917	70.87	716,091	69.83	35,826	5.00
Interbank and Money Market Items	71,923	6.78	82,343	8.03	(10,420)	(12.65)
Debts Issued and Borrowings	55,013	5.19	51,596	5.03	3,417	6.62
Other Liabilities	44,158	4.16	45,425	4.43	(1,267)	(2.79)
<b>Total Liabilities</b>	<b>923,011</b>	<b>87.00</b>	<b>895,455</b>	<b>87.32</b>	<b>27,556</b>	<b>3.08</b>
Equity Attributable to Owners of the Company	65,735	6.20	62,020	6.05	3,715	5.99
Non-controlling Interests	72,183	6.80	68,050	6.63	4,133	6.07
<b>Total Equity</b>	<b>137,918</b>	<b>13.00</b>	<b>130,070</b>	<b>12.68</b>	<b>7,848</b>	<b>6.03</b>
<b>Total Liabilities and Equity</b>	<b>1,060,929</b>	<b>100.00</b>	<b>1,025,525</b>	<b>100.00</b>	<b>35,404</b>	<b>3.45</b>

## Assets

As of 31 December 2018, Thanachart Group's total assets amounted to 1,060,929 million baht, an increase of 35,404 million baht or 3.45 percent from the end of 2017. Key factors are as follows:

### Net Interbank and Money Market Items (Assets)

As of 31 December 2018, net interbank and money market amounted to 99,117 million baht, an increase of 3,199 million baht or 3.34 percent from the end of last year due to liquidity management.

### Net Investments

(Unit: Million Baht)

Investments Classified by Type	31 December 2018		31 December 2017		Change	
	Amount	Percent	Amount	Percent	Increase/(Decrease)	Percent
Trading Securities - net	17,811	10.27	18,577	10.23	(766)	(4.12)
Available-for-sale Securities - net	147,676	85.13	155,454	85.64	(7,778)	(5.00)
Held-to-maturity Debt Securities - net	1,298	0.75	1,000	0.55	298	29.80
General Investments - net	3,652	2.10	3,672	2.02	(20)	(0.54)
<b>Investments - net</b>	<b>170,437</b>	<b>98.25</b>	<b>178,703</b>	<b>98.44</b>	<b>(8,266)</b>	<b>(4.63)</b>
<b>Investments in Associated Company - net</b>	<b>3,027</b>	<b>1.75</b>	<b>2,827</b>	<b>1.56</b>	<b>200</b>	<b>7.07</b>
<b>Total Investments - net</b>	<b>173,464</b>	<b>100.00</b>	<b>181,530</b>	<b>100.00</b>	<b>(8,066)</b>	<b>(4.44)</b>

As at 31 December 2018, the Company and its subsidiaries had total net investments of 173,464 million baht, a decrease of 8,066 million baht or 4.44 percent from the end of the previous year. This mainly due to the divestment of available-for-sale securities.

### Loans to Customers

(Unit: Million Baht)

Loans Classified by Type of Business	31 December 2018		31 December 2017		Change	
	Amount	Percent	Amount	Percent	Increase/(Decrease)	Percent
Agricultural and Mining	6,582	0.87	7,498	1.05	(916)	(12.22)
Manufacturing and Commerce	74,816	9.91	81,105	11.38	(6,289)	(7.75)
Real Estate and Construction	48,600	6.44	47,484	6.66	1,116	2.35
Public Utilities and Services	54,114	7.17	58,878	8.26	(4,764)	(8.09)
Personal Consuming						
Hire Purchase	420,680	55.75	371,031	52.06	49,649	13.38
Housing Loans	103,280	13.69	97,676	13.70	5,604	5.74
Securities Business	3,822	0.51	4,116	0.58	(294)	(7.14)
Others	31,402	4.16	29,504	4.14	1,898	6.43
Others	11,317	1.50	15,469	2.17	(4,152)	(26.84)
<b>Total Loans to Customers</b>	<b>754,613</b>	<b>100.00</b>	<b>712,761</b>	<b>100.00</b>	<b>41,852</b>	<b>5.87</b>

As at 31 December 2018, loans to customers amounted to 754,613 million baht, an increase of 41,852 million baht or 5.87 percent from the end of last year. The growth was from retail and SME loans especially hire purchase loans which continued increasing. Portion of retail loans to corporate and SME loans was 74 percent to 26 percent.

## Total Loans and Allowance for Doubtful Accounts

The Company and its subsidiaries had total loans\* and accrued interest receivables and related allowance (after deducting intercompany transactions) as follows:

(Unit: Million Baht)

	31 December 2018		31 December 2017	
	Loans and Accrued Interest Receivables	Allowance for Doubtful Accounts	Loans and Accrued Interest Receivables	Allowance for Doubtful Accounts
The Company	97	72	102	73
TBANK and Asset Management Company	787,852	13,441	744,419	12,356
Other Subsidiaries	52,770	2,315	44,995	2,096
<b>Total</b>	<b>840,719</b>	<b>15,828</b>	<b>789,516</b>	<b>14,525</b>
Additional Allowance		8,478		10,237
<b>Grand Total</b>	<b>840,719</b>	<b>24,306</b>	<b>789,516</b>	<b>24,762</b>

**Note:** \* Total loans include loans to customers and loans to interbank and money market

## Non - performing Loans: NPLs

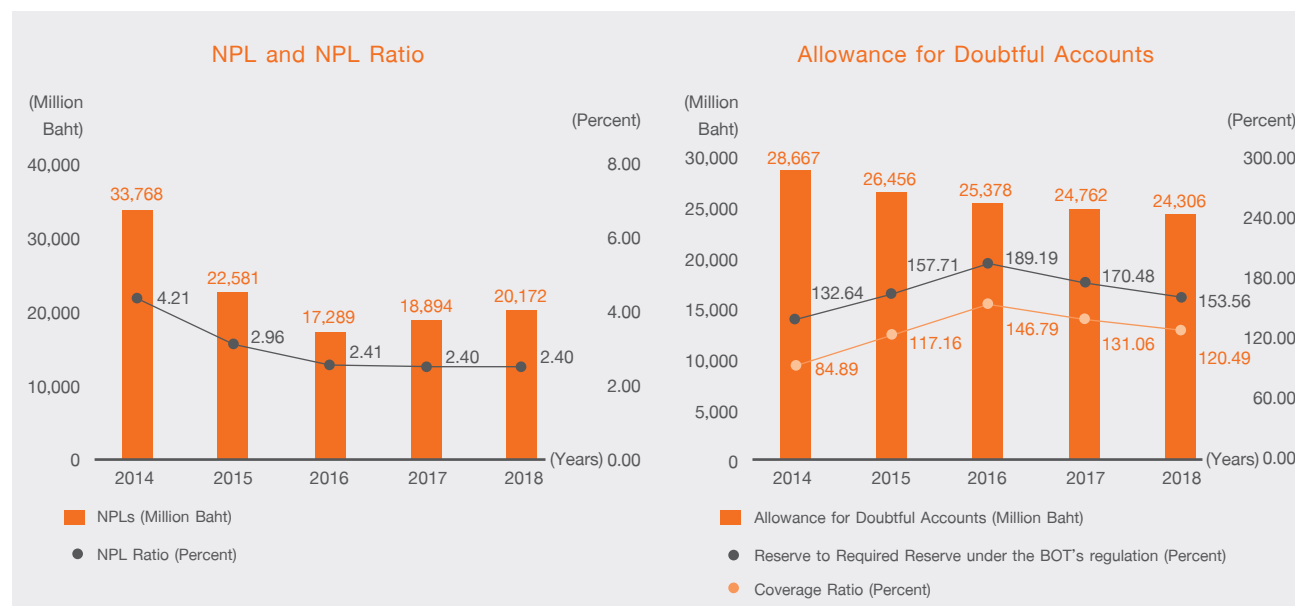
(Unit: Million Baht)

	31 December 2018	31 December 2017
NPLs	20,172	18,894
NPL - net	10,467	9,557
Total Allowance for Doubtful Accounts *	24,306	24,762
NPL - gross to Total Loans (Percent)	2.40	2.40
NPL - net to Total Loans - net (Percent)	1.26	1.23
Reserve to Required Reserve by the BOT (Percent)	153.56	170.48
Coverage Ratio (Percent)	120.49	131.06

**Note:** \* Including allowance for interbank and money market items and revaluation allowance for debt restructuring

Under the market and economic conditions that continued to gradually recover, the Company and its subsidiaries still placed strong emphasis on managing NPLs through systematic and effective control. NPLs as of 31 December 2018 amounted to 20,172 million baht, an increase of 1,278 million baht or 6.76 percent from the end of the previous year while Non-performing loans to total loans (NPL Ratio) was at 2.40 percent, stable from the end of last year. Non-performing loans after deducting reserve (NPL-net) amounted to 10,467 million baht while the ratio of NPL-net to total loans - net was at 1.26 percent.

At the end of December 2018, coverage ratio was at 120.49 percent while the ratio of reserve to required reserve under the BOT's regulation was at 153.56 percent. Excess reserve was 8,478 million baht.



## Property Foreclosed

As at 31 December 2018, the Company and its subsidiaries had properties foreclosed stated at cost amounting to 6,522 million baht, accounting for 0.61 percent of total assets. The allowance for impairment of the properties foreclosed was 1,700 million baht, accounting for 26.07 percent of total value at cost.

## Source of Fund

### Capital Structure

As at 31 December 2018, the Company and its subsidiaries had funds from liabilities and shareholders' equity of 923,011 million baht and 137,918 million baht, respectively. The ratio of debts to equity was at 6.69 times. The important components of funds from liabilities consisted of deposits which as at 31 December 2018 amounted to 751,917 million baht or accounted for 70.87 percent while interbank and money market items, debts issued and borrowings, and other liabilities accounted for 6.78 percent, 5.19 percent, and 4.16 percent of total source of fund.

(Unit: Million Baht)

Capital Structure	31 December 2018		31 December 2017		Change	
	Amount	Percent	Amount	Percent	Increase/ (Decrease)	Percent
Deposits	751,917	70.87	716,091	69.83	35,826	5.00
Interbank and Money Market Items	71,923	6.78	82,343	8.03	(10,420)	(12.65)
Debts Issued and Borrowings	55,013	5.19	51,596	5.03	3,417	6.62
Other Liabilities	44,158	4.16	45,425	4.43	(1,267)	(2.79)
<b>Total Liabilities</b>	<b>923,011</b>	<b>87.00</b>	<b>895,455</b>	<b>87.32</b>	<b>27,556</b>	<b>3.08</b>
<b>Total Shareholders' Equity</b>	<b>137,918</b>	<b>13.00</b>	<b>130,070</b>	<b>12.68</b>	<b>7,848</b>	<b>6.03</b>
<b>Total Liabilities and Equity</b>	<b>1,060,929</b>	<b>100.00</b>	<b>1,025,525</b>	<b>100.00</b>	<b>35,404</b>	<b>3.45</b>

## Liabilities

Total liabilities of Thanachart Group as at 31 December 2018 were 923,011 million baht, an increase of 27,556 million baht or 3.08 percent from the end of 2017. The key items were as follows:

- Deposits were 751,917 million baht, an increase of 35,826 million baht or 5.00 percent from the end of last year. This was mainly from the increase in savings deposits. The ratio of current and savings accounts to total deposits (CASA) was 48.50 percent, an increase from the previous year of 42.92 percent.

(Unit: Million Baht)

Deposits	31 December 2018		31 December 2017		Change	
	Amount	Percent	Amount	Percent	Increase/ (Decrease)	Percent
Current	12,759	1.70	11,953	1.67	806	6.74
Saving	351,939	46.80	295,390	41.25	56,549	19.14
Certificates of Deposit	85,460	11.37	142,505	19.90	(57,045)	(40.03)
Fixed Deposits						
Less than 6 Months	44,025	5.86	36,529	5.10	7,496	20.52
6 Months and up to 1 Year	41,832	5.56	63,772	8.91	(21,940)	(34.40)
Over 1 Year	215,902	28.71	165,942	23.17	49,960	30.11
Total Fixed Deposits	301,759	40.13	266,243	37.18	35,516	13.34
<b>Total Deposits</b>	<b>751,917</b>	<b>100.00</b>	<b>716,091</b>	<b>100.00</b>	<b>35,826</b>	<b>5.00</b>

- Interbank and money market items were 71,923 million baht, a decrease of 10,420 million baht or 12.65 percent from the end of last year. This was due to liquidity management.

- Debt issued and borrowings amounted to 55,013 million baht, an increase of 3,417 million baht or 6.62 percent from the end of last year. This was mainly from the issuance of debt securities of a subsidiary of TBANK.

## Shareholders' Equity

Total shareholders' equity as of 31 December 2018 was 137,918 million baht, an increase of 7,848 million baht or 6.03 percent from the end of 2017. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 65,735 million baht, an increase of 3,715 million baht or 5.99 percent. This was mainly from the increase in operating profit attributable to the Company in the year 2018 which amounted to 7,839 million baht. At the same time, there were dividend payments paid for the performance in the second half of 2017 in the amount of 1,515 million baht and interim dividend payments paid for the performance in the first six-month period of 2018 in the amount of 1,165 million baht.
- Equity attributable to non-controlling interest amounted to 72,183 million baht, an increase of 4,133 million baht or 6.07 percent. This was mainly from the operating results of subsidiary companies.

## Cash Flows

As at 31 December 2018, the Company and its subsidiaries had cash in the amount of 11,022 million baht. The details of the net cash flows from various activities were as follows:

- The net cash flows from operating activities were 4,643 million baht, mainly due to 22,031 million baht in profit from operation. The key changes in operating assets and liabilities included an increase of 53,457 million baht loans to customers; an increase of 3,133 million baht in interbank and money market items (asset); an increase of 873 million baht in other assets; a decrease of 6,284 million baht in properties foreclose; a decrease of 1,230 million baht in derivatives assets; a decrease of 613 million baht in investments in trading securities; a decrease of 487 million baht in receivables from purchase and sale of securities; an increase of 35,826 million baht in deposits; an increase of 574 million baht in other liabilities; a decrease of 10,251 million baht in interbank and money market items (liability); a decrease of 1,444 million baht in derivatives liabilities; a decrease of 1,126 million baht in payable from purchase and sales of securities; a decrease of 825 million baht in liability payable on demand; and a decrease of 579 million baht in insurance/life insurance contract liabilities.
- The net cash flows from investing activities amounted to 9,560 million baht. This was mainly due to an increase of 6,391 million baht in selling and matured of investments in securities; cash received of 2,781 million baht from interest; cash received of 753 million baht from dividend; cash received of 58 million baht from disposal of investment in an associated company; and cash received of 56 million baht from disposal of land, premises and equipment. On the other hand, cash paid for purchase of premises and equipment/intangible assets amounted to 479 million baht.
- The net cash flows used in financing activities amounted to 5,348 million baht. This included cash paid of 14,203 million baht from repayment of debts issued and borrowings; cash paid of 3,264 million baht for dividend to non-controlling interests; cash paid of 2,679 million baht for dividend; cash paid of 2,250 million baht for interest expenses on debts issued and borrowings; and cash paid of 572 million baht for shares repurchase. On the other hand, cash received from debt issued and borrowing amounted to 17,620 million baht.



## Commitments

(Unit: Million Baht)

Commitments	31 December 2018	31 December 2017	Change	
			Increase/ (Decrease)	Percent
Aval to Bills	303	115	188	163.48
Guarantees of Loans	2,402	2,291	111	4.85
Liabilities under Unmatured Import Bills	283	270	13	4.81
Letter of Credits	759	1,045	(286)	(27.37)
Other Obligations				
Committed (but not Drawn) Overdraft	22,341	23,832	(1,491)	(6.26)
Others	61,019	55,644	5,375	9.66
<b>Total</b>	<b>87,107</b>	<b>83,197</b>	<b>3,910</b>	<b>4.70</b>

As of 31 December 2018, the Company and its subsidiaries had commitments in the amount of 87,107 million baht, an increase of 3,910 million baht or 4.70 percent from the end of 2017.

## Capital Adequacy

As of 31 December 2018, the Company and its subsidiaries had legal capital in accordance with the Basel III regulations in the amount of 122,447 million baht. Of which, 101,968 million baht was Tier I capital and 20,479 million baht was Tier II capital. Total capital to risk-weighted assets or capital adequacy ratio accounted for 15.57 percent which was higher than 10.375 percent minimum requirement of the BOT. The details are as follows:

(Unit: Percent)

Capital Adequacy Ratio	31 December 2018		31 December 2017	
	Minimum BOT Requirement	Capital Ratio of the Financial Group	Minimum BOT Requirement	Capital Ratio of the Financial Group
Total Common Equity Tier I to Risk-weighted Assets	6.375	12.97	5.75	12.62
Total Tier I to Risk-weighted Assets	7.875	12.97	7.25	12.62
Total Tier II to Risk-weighted Assets	-	2.60	-	2.71
Total Capital to Risk-weighted Assets	10.375	15.57	9.75	15.33

Percentage of shareholding and performance of significant subsidiaries based on their respective financial statements were as follows:

(Unit: Million Baht)

Subsidiary Companies	Shareholding Direct / Indirect (Percent)	Profit (Loss) for the Year	
		2018	2017
Thanachart Bank Public Company Limited Consolidated Financial Statements*		14,703	13,810
Separate Financial Statements	50.96	13,911	13,135
Thanachart Securities Public Company Limited	50.96	593	609
Thanachart Fund Management Company Limited	38.22	654	426
Thanachart Insurance Public Company Limited	50.96	1,042	1,051
TS Asset Management Company Limited	50.96	237	210
Ratchthani Leasing Public Company Limited	33.22	1,641	1,126
NFS Asset Management Company Limited	100.00	14	24
MAX Asset Management Company Limited	83.44	201	45
MBK Life Assurance Public Company Limited	51.00	(63)	30

**Note:** \* Only the profit attributable to the owners of TBANK

## Financial Position and Operating Results of Subsidiary Companies

### Thanachart Bank Public Company Limited

#### Operating Results Overview

(Analysis comparing performance of 2018 and 2017 based on consolidated financial statements)

(Unit: Million Baht)

Statements of Comprehensive Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Interest Income	46,288	44,366	1,922	4.33
Interest Expenses	15,250	14,956	294	1.97
<b>Net Interest Income</b>	<b>31,038</b>	<b>29,410</b>	<b>1,628</b>	<b>5.54</b>
Net Fees and Service Income	6,627	5,897	730	12.38
Other Operating Income <sup>(1)</sup>	5,574	6,675	(1,101)	(16.49)
<b>Net Operating Income</b>	<b>43,239</b>	<b>41,982</b>	<b>1,257</b>	<b>2.99</b>
Other Operating Expenses <sup>(2)</sup>	20,525	20,437	88	0.43
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>22,714</b>	<b>21,545</b>	<b>1,169</b>	<b>5.43</b>
Impairment Loss of Loans and Debt Securites	4,741	6,244	(1,503)	(24.07)
<b>Profit before Income Tax</b>	<b>17,973</b>	<b>15,301</b>	<b>2,672</b>	<b>17.46</b>
Income Tax	2,515	932	1,583	169.85
<b>Profit for the Year</b>	<b>15,458</b>	<b>14,369</b>	<b>1,089</b>	<b>7.58</b>
<b>Profit Attributable to the Bank</b>	<b>14,703</b>	<b>13,810</b>	<b>893</b>	<b>6.47</b>
<b>Profit Attributable to Non-controlling Interests</b>	<b>755</b>	<b>559</b>	<b>196</b>	<b>35.06</b>
Earnings per Share (Baht)	2.42	2.28		
Weighted Average Number of Ordinary Shares (Million Shares)	6,064.86	6,064.86		

**Notes:** <sup>(1)</sup> Other operating income net insurance expenses

<sup>(2)</sup> Excluding insurance expenses

## Operating Results for the Year 2018

The success in the strategic aim at becoming Customer Centric as an organization, and thus, becoming the Main Bank for the customers through excellence in services in all channels coupled with offering products suitable for the specific needs of each customer and the increase in the productivity in business operation, especially in the core businesses. In 2018, TBANK and its subsidiaries' net profit grew for the fourth consecutive quarter and totaled at 14,703 million baht for the year, an increase of 893 million baht or 6.47 percent from the previous year. Pre-provision operating profit grew as a result of the core business growth. Furthermore, TBANK continued to maintain asset quality, liquidity and capital adequacy consistently, illustrating strength in business operation and competitive edge.

Total income of TBANK grew 2.99 percent from net interest income which grew 5.54 percent from expanding loan volume. However, Non-interest income declined by 2.95 percent mainly from a lower gains on investments. Operating expenses increased slightly at 0.43 percent while impairment loss of loans and debt securities expenses decreased by 24.07 percent. Consequently, net profit before tax increased 2,672 million baht or 17.46 percent from the previous year.

Total assets has been growing consistently throughout the year and has increased 3.67 percent from the end of last year, following good performing loan growth which increased by 5.88 percent mainly from retail and SME loans. Amid loan growth, TBANK was able to maintain strong asset quality from a prudent risk policy. Total deposits also increased by 5.01 percent.

NPL ratio on consolidated financial statements ended at 2.30 percent, stable from a year earlier. Coverage ratio was at 123.20 percent. Reserve to required reserve as of 31 December 2018 was 154.90 percent.

On separate financial statements, NPL ratio ended at 2.02 percent with coverage ratio at 124.72 percent. Reserve to required reserve was at 165.07 percent. For capital adequacy, BIS ratio was at 19.45 percent, an increase from 18.94 percent at the end of 2017. Tier 1 capital ratio of TBANK was at 15.42 percent, an increase from 14.81 percent at the end of 2017.

TBANK and its subsidiaries' operating results in 2018 comparing 2017 can be summarized as follows:

- Net interest income increased 5.54 percent from growing loan volume, while interest spread was at 3.06 percent.
- Non-interest income decreased 2.95 percent mainly from lower gains on investments.
- Total income grew 2.99 percent from an increase in net interest income.
- Operating expenses increased slightly by 0.43 percent from effective cost management.
- Pre-provision operating profit increased by 1,169 million baht or 5.43 percent from growing income base.
- Impairment loss of loans and debt securities expenses decreased by 24.07 percent while income tax expense increased as the tax benefit has been fully utilized since May 2018.
- Net profit totaled 14,703 million baht, an increase of 893 million baht or 6.47 percent.

## Net Interest Income

(Unit: Million Baht)

Net Interest Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
<b>Interest Income</b>	<b>46,288</b>	<b>44,366</b>	<b>1,922</b>	<b>4.33</b>
Interbank and Money Market Items	1,743	1,365	378	27.69
Investments and Trading Transactions	108	25	83	332.00
Investments in Debt Securities	2,631	3,143	(512)	(16.29)
Loans to Customers	17,551	17,759	(208)	(1.17)
Hire Purchase and Financial Lease	24,255	22,074	2,181	9.88
<b>Interest Expenses</b>	<b>15,250</b>	<b>14,956</b>	<b>294</b>	<b>1.97</b>
Deposits	9,071	8,699	372	4.28
Interbank and Money Market Items	997	792	205	25.88
Contribution Fee to the Financial Institution Development Fund and the Deposit Protection Agency	3,482	3,348	134	4.00
Debts Issued and Borrowings	1,690	2,110	(420)	(19.91)
Borrowings Cost	10	7	3	42.86
<b>Net Interest Income</b>	<b>31,038</b>	<b>29,410</b>	<b>1,628</b>	<b>5.54</b>

In 2018, TBANK and its subsidiaries' net interest income totaled 31,038 million baht, an increase of 1,628 million baht or 5.54 percent from last year.

- Interest income totaled 46,288 million baht, an increase of 1,922 million baht or 4.33 percent from growing loan volume, especially hire purchase loans that grew 13.44 percent from the previous year.

- Interest expense totaled 15,250 million baht, an increase of 294 million baht or 1.97 percent mainly from cost of fund management following liquidity strategy.

Consequently, interest spread in 2018 was at 3.06 percent, maintained from the previous year.

(Unit: Percent)

	4Q17	1Q18	2Q18	3Q18	4Q18	2017	2018
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.54	1.50	1.51
Yield	4.87	4.87	4.92	4.92	4.95	4.93	4.91
Cost of Fund	1.85	1.86	1.87	1.84	1.85	1.87	1.86
Interest Spread	3.02	3.00	3.06	3.08	3.10	3.06	3.06

## Non-interest Income

(Unit: Million Baht)

Non-interest Income	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
<b>Net Fees and Service Income</b>	<b>6,627</b>	<b>5,897</b>	<b>730</b>	<b>12.38</b>
Gains on Trading and Foreign Exchange Transactions	357	548	(191)	(34.85)
Gains on Investments	(85)	1,113	(1,198)	(107.64)
Share of Profit from Investments Accounted for Under Equity Method	299	200	99	49.50
Net Insurance Income	2,937	2,928	9	0.31
Dividend Income	411	464	(53)	(11.42)
Other Operating Income	1,655	1,422	233	16.39
<b>Total Other Operating Income</b>	<b>5,574</b>	<b>6,675</b>	<b>(1,101)</b>	<b>(16.49)</b>
<b>Total Non-interest Income</b>	<b>12,201</b>	<b>12,572</b>	<b>(371)</b>	<b>(2.95)</b>

Non-interest income of TBANK and its subsidiaries in 2018 totaled 12,201 million baht, a decrease of 371 million baht or 2.95 percent from last year. This was mainly due to a decrease in gains on investments.

- Net fees and service income was in the amount of 6,627 million baht, an increase of 730 million baht or 12.38 percent, mainly from fund management fees and insurance commission income.

- Other operating income totaled 5,574 million baht, a decrease of 1,101 million baht or 16.49 percent from last year. This was mainly due to gains on investments which declined 1,198 million baht as a result of investment portfolio adjustment in accordance to the market environment.

Due to the reasons above, non-interest income ratio for 2018 was 28.22 percent, a decrease from 29.95 percent last year.

## Other Operating Expenses

(Unit: Million Baht)

Other Operating Expenses	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Employee's Expenses	11,171	11,981	(810)	(6.76)
Premises and Equipment Expenses	2,602	2,806	(204)	(7.27)
Taxes and Duties	713	726	(13)	(1.79)
Directors' Remuneration	58	53	5	9.43
Other Expenses	5,981	4,871	1,110	22.79
<b>Total Other Operating Expenses</b>	<b>20,525</b>	<b>20,437</b>	<b>88</b>	<b>0.43</b>

In 2018, other operating expenses of TBANK and its subsidiaries totaled 20,525 million baht, an increase of 88 million baht or 0.43 percent from last year. Consequently, cost to income ratio of 2018 was at 47.47 percent, a decrease from 48.68 percent in the previous year.

## Impairment Loss of Loans and Debt Securities

(Unit: Million Baht)

Impairment Loss of Loans and Debt Securities	For the Year		Change	
	2018	2017	Increase/ (Decrease)	Percent
Impairment Loss of Loans and Debt Securities	4,741	6,244	(1,503)	(24.07)
Credit Cost (Percent)	0.57	0.79	(0.22)	(27.85)

In 2018, TBANK and its subsidiaries had 4,741 million baht impairment loss of loans and debt securities, a decrease of 1,503 million baht or 24.07 percent from the previous year. Credit cost was at 0.57 percent, lower than 0.79 percent last year.

## Financial Position of TBANK and Its Subsidiaries

(Unit: Million Baht)

Statements of Financial Position	31 December 2018	31 December 2017	Change	
			Increase/ (Decrease)	Percent
<b>Assets</b>				
Cash	11,019	11,453	(434)	(3.79)
Interbank and Money Market Items - net	97,568	94,651	2,917	3.08
Investments - net	161,078	167,368	(6,290)	(3.76)
Loans to Customers	753,498	711,675	41,823	5.88
Accrued Interest Receivables	645	589	56	9.51
Allowance for Doubtful Accounts and Revaluation				
Allowance for Debt Restructuring	(23,652)	(24,034)	382	(1.59)
Property Foreclosed - net	2,815	2,793	22	0.79
Land, Premises, and Equipment - net	7,996	8,622	(626)	(7.26)
Goodwill and Intangible Assets - net	19,790	20,202	(412)	(2.04)
Other Assets	15,855	16,238	(383)	(2.36)
<b>Total Assets</b>	<b>1,046,612</b>	<b>1,009,557</b>	<b>37,055</b>	<b>3.67</b>

### Assets

As of 31 December 2018, TBANK and its subsidiaries' total assets amounted to 1,046,612 million baht, an increase of 37,055 million baht or 3.67 percent from the end of 2017. The key changes are as follows:

- Net interbank and money market items were in the amount of 97,568 million baht, an increase of 2,917 million baht or 3.08 percent from the end of last year, mainly due to liquidity management.
- Net investments totaled 161,078 million baht, a decrease of 6,290 million baht or 3.76 percent from the end of last year, mainly due to management for suitable yield return.
- Loans totaled 753,498 million baht, an increase of 41,823 million baht or 5.88 percent from the end of last year from retail and SME loans. In particular, hire purchase loans have experienced good growth of 13.44 percent, a result of an improved internal process and recovered automotive market, allowing TBANK to maintain a market leader position in new car lending. The proportion of retail to corporate and SME loans was 74 to 26 percent.

(Unit: Million Baht)

Statements of Financial Position	31 December 2018	31 December 2017	Change	
			Increase/ (Decrease)	Percent
<b>Liabilities and Shareholders' Equity</b>				
Deposits	752,160	716,278	35,882	5.01
Interbank and Money Market Items	71,955	82,424	(10,469)	(12.70)
Liability Payable on Demand	1,163	1,989	(826)	(41.53)
Debts Issued and Borrowings	43,079	39,308	3,771	9.59
Provisions	3,875	3,638	237	6.51
Insurance Contracts Liabilities	5,729	5,476	253	4.62
Other Liabilities	24,445	24,236	209	0.86
<b>Total Liabilities</b>	<b>902,406</b>	<b>873,349</b>	<b>29,057</b>	<b>3.33</b>
<b>Equity Attributable to Owners of TBANK</b>	<b>141,699</b>	<b>134,290</b>	<b>7,409</b>	<b>5.52</b>
Non-controlling Interests	2,507	1,918	589	30.71
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,046,612</b>	<b>1,009,557</b>	<b>37,055</b>	<b>3.67</b>

### Liabilities and Shareholders' Equity

TBANK and its subsidiaries' total liabilities as of 31 December 2018 amounted to 902,406 million baht, an increase of 29,057 million baht or 3.33 percent from the end of 2017. The key changes are as follows:

- Deposits totaled 752,160 million baht, an increase of 35,882 million baht or 5.01 percent from the end of last year. The increase was mainly due to saving deposits. As a result, CASA ratio was 48.52 percent, an increase from 42.93 percent at the end of last year.

- Debt issued and borrowings totaled 43,079 million baht, an increase of 3,771 million baht or 9.59 percent mainly from debts issuance and offering of subsidiary company.

Shareholders' equity as of 31 December 2018 was in the amount of 144,206 million baht, an increase of 7,998 million baht or 5.87 percent from the end of 2017. The details are as follows:

- TBANK's shareholders' equity was in the amount of 141,699 million baht, an increase of 7,409 million baht or 5.52 percent. This was mainly due to profitable operating results of TBANK and its subsidiaries in 2018 which totaled 14,703 million baht, mark to market on investment which decreased by 1,063 million baht and dividend payment of 6,247 million baht.

- Equity attributable to non-controlling interests was in the amount of 2,507 million baht, an increase of 589 million baht or 30.71 percent, a result of profitable operating results of subsidiaries.



## Asset Quality

The asset quality was considered based on consolidated financial statements.

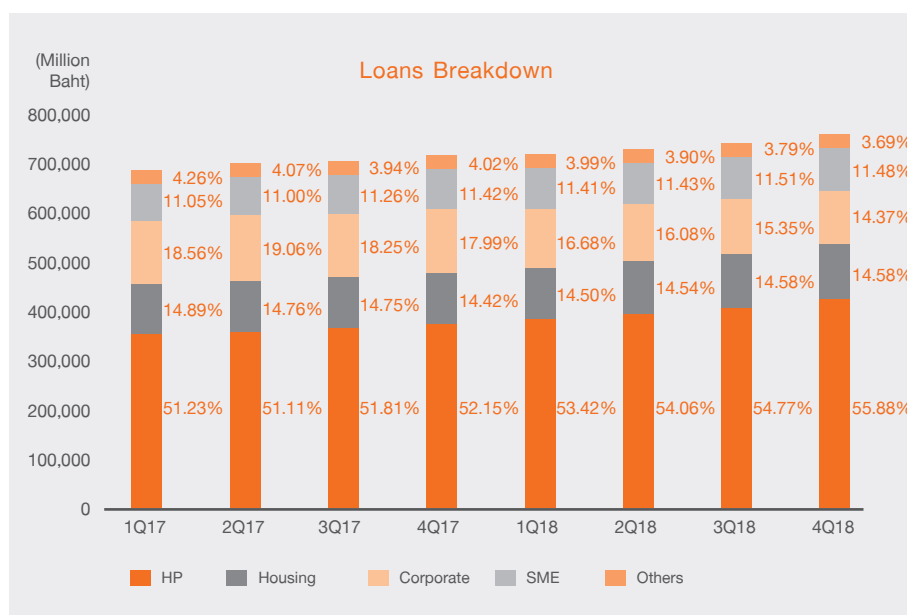
### 1. Loans

#### 1.1 Loans to Customers and Accrued Interest Receivables

As of 31 December 2018, TBANK and its subsidiaries' loans to customers and accrued interest receivables totaled 754,143 million baht, increased from the previous year by 41,879 million baht or 5.88 percent. Hire purchase loans expanded by 13.44 percent, contributed by process improvement and the recovering automotive market. Other retail loans grew by 0.33 percent. Housing loans grew by 7.07 percent. Corporate and SME loans declined by 6.95 percent from the previous year. The retail to corporate and SME loans ratio was 74 percent to 26 percent. In addition, TBANK managed NPLs and maintained the strength of asset quality. In 2018, TBANK and its subsidiaries carried out debt restructuring agreements with debtors in a number of ways; changing repayment conditions, transferring of assets and/or equity shares, and/or amending repayment terms, totaling 1,165 accounts whose accounting outstanding pre-restructuring was 2,403 million baht. At the end of 2018, TBANK and its subsidiaries had 6,620 restructured accounts, and the principle and accrued interest amounted to 9,755 million baht.

#### Loans Diversification

At the end of 2018, hire purchase loans accounted for 55.88 percent, followed by corporate and SME loans of 25.85 percent, housing loans of 14.58 percent, and others of 3.69 percent.



## 1.2 Loans classified in accordance with the BOT's regulation of TBANK and its financial institution subsidiary

As of 31 December 2018, TBANK and its financial institution subsidiary (Asset Management Company) had the amount of loans and accrued interest receivables classified in accordance with the BOT's guidelines of 701,652 million baht, increased from the previous year by 34,081 million baht or 5.11 percent. Allowance for doubtful accounts as of 31 December 2018, was 21,117 million baht and total allowance for doubtful accounts to loans and accrued interest receivable was 3.01 percent.

### Loans Classified by the BOT's Regulations

(Unit: Million Baht)

	Loans and Accrued Interest Receivables		Allowance for Doubtful Accounts	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Normal	656,396	624,828	4,127	3,310
Special Mention	27,759	26,304	2,438	2,336
Substandard	4,602	5,938	1,617	2,219
Doubtful	3,171	2,672	1,155	823
Doubtful of Loss	9,724	7,829	3,562	3,013
<b>Total</b>	<b>701,652</b>	<b>667,571</b>	<b>12,899</b>	<b>11,701</b>
Additional Allowance for Doubtful Accounts			8,218	10,017
Total Allowance for Doubtful Accounts			21,117	21,718
Ratio of Total Allowance for Doubtful Accounts to Loans and Accrued Interest Receivables (Percent)			3.01	3.25

## 1.3 Non-performing Loans

As the market and economic conditions were recovering, TBANK and its subsidiaries managed NPLs through systematic and effective control. NPLs as of 31 December 2018 were 19,329 million baht, an increase of 1,221 million baht or 6.74 percent from the end of the previous year. As a result, NPL ratio of TBANK and its subsidiaries was at 2.30 percent, stable from the end of last year. On separate financial statements, NPLs increased by 1,493 million baht from the end of last year. Consequently, NPL ratio of TBANK was at 2.02 percent, an increase from 1.94 percent at the end of last year.

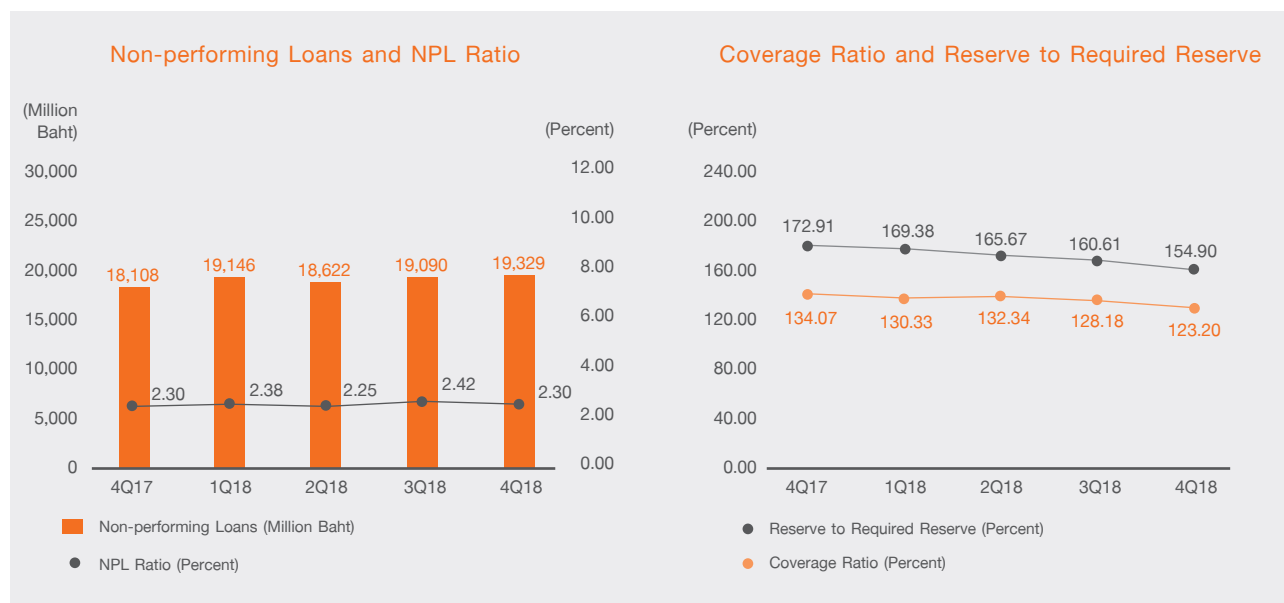
Coverage ratio of TBANK and its subsidiaries as of 31 December 2018 was at 123.20 percent. TBANK and its subsidiaries had an excess reserve of 8,439 million baht according to the BOT's regulations, and a reserve to required reserve under the BOT's regulations was at 154.90 percent. Coverage ratio of TBANK as of 31 December 2018 was at 124.72 percent. TBANK had an excess reserve according to the BOT's regulations of 7,820 million baht and a reserve to required reserve under the BOT's regulations of 165.07 percent.

## Non-performing Loans

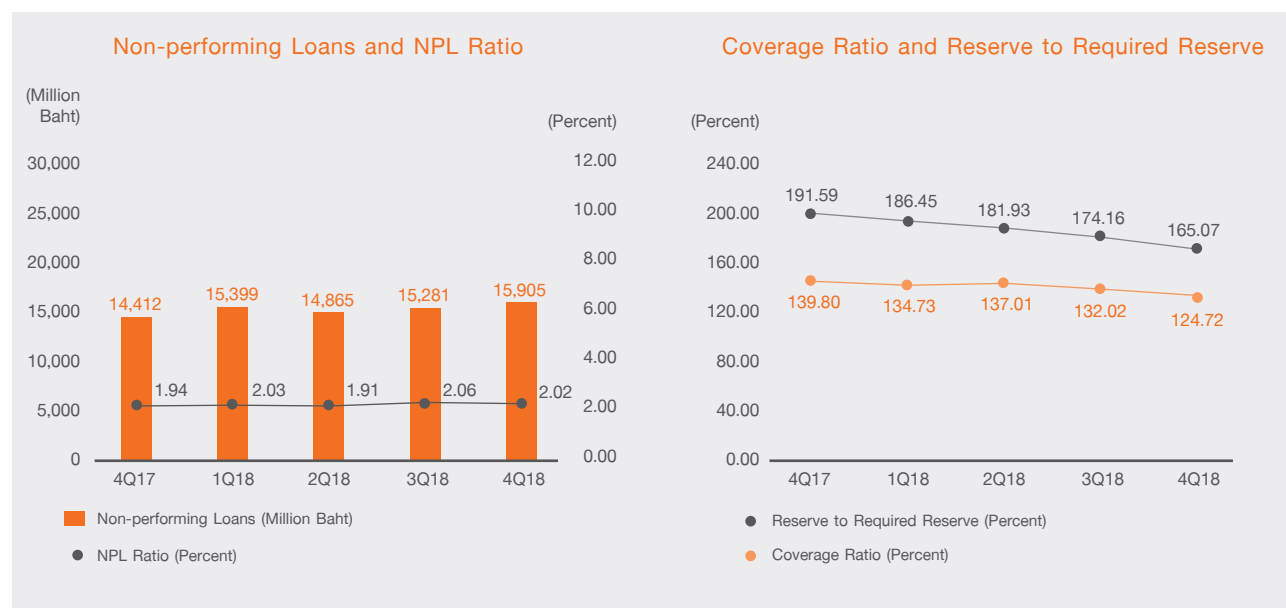
	TBANK		TBANK Consol.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
NPLs (Million Baht)	15,905	14,412	19,329	18,108
Total Allowance for Doubtful Accounts * (Million Baht)	19,837	20,149	23,812	24,278
NPL-gross to Total Loans (Percent)	2.02	1.94	2.30	2.30
NPL-net to Total Loans (Percent)	1.24	1.19	1.22	1.19
Reserve to Required Reserve by the BOT (Percent)	165.07	191.59	154.90	172.91
Coverage Ratio (Percent)	124.72	139.80	123.20	134.07

**Note:** \* Including revaluation allowance for debt restructuring

## Consolidated Financial Statements



## Separate Financial Statements



## 2. Investments in Securities

In 2018, TBANK and its subsidiaries had a total amount of investments in securities of 161,078 million baht. A major portion of approximately 69.97 percent was in government and state enterprises securities, followed by 13.83 percent in private corporate debt securities. After adding (deducting) allowance for change in value and allowance for impairment, net investments decreased from 167,368 million baht in 2017. Details of securities investments are as follows:

## Securities Investments Classified by Types of Instruments

(Unit: Million Baht)

Type of Investments	31 December 2018	Percent	31 December 2017	Percent
<b>Debt Securities</b>				
Government and State Enterprises Securities				
• Trading	12,300	7.64	9,119	5.45
• Available-for-sale	100,009	62.09	113,782	67.98
• Held-to-maturity	381	0.24	42	0.03
Private Debt Securities				
• Trading	693	0.43	232	0.14
• Available-for-sale	21,361	13.26	24,009	14.35
• Held-to-maturity	220	0.14	240	0.14
Foreign Debt Securities				
• Trading	-	-	-	-
• Available-for-sale	17,385	10.79	10,441	6.24
• Held-to-maturity	-	-	-	-
<b>Equity Securities</b>				
Listed Securities				
• Trading	1,079	0.67	1,749	1.04
• Available-for-sale	4,464	2.77	3,147	1.88
Investment in Receivables Purchased				
• Held-to-maturity	-	-	-	-
Other Investments	3,640	2.26	3,662	2.19
<b>Total Debt Securities</b>	<b>161,532</b>	<b>100.29</b>	<b>166,423</b>	<b>99.44</b>
Add (less): Allowance for Change in Value	(446)	(0.28)	955	0.57
Allowance for Impairment	(8)	(0.01)	(10)	(0.01)
<b>Total Investments - net</b>	<b>161,078</b>	<b>100.00</b>	<b>167,368</b>	<b>100.00</b>

## Liquidity

As of 31 December 2018, loans to deposits and debts issued and borrowings ratio of TBANK and its subsidiaries was 94.75 percent, slightly improved from 94.19 percent at the end of 2017. This was due to liquidity management in coherent with market condition. TBANK still maintained its strong liquidity with liquid and low risk asset portion in high level.

TBANK also put focus liquidity management. In this connection, TBANK proceeded on the implementation of the Liquidity Coverage Ratio (LCR) standard and currently has been maintaining its liquidity level to support the standard in accordance with the Basel III. As of 31 December 2018, TBANK's LCR ratio was more than 100 percent, higher than the regulated requirement of the BOT of 80 percent.

At the end of 2018, TBANK and its subsidiaries had net cash flows used for operating activities of 9,304 million baht, received from investing activities of 13,193 million baht, and used in financing activities of 4,323 million baht, attributed to a net decrease in cash and cash equivalents of 434 million baht. At the end of 2018, TBANK had an amount of 11,019 million baht in cash and cash equivalents. Key items consisted of the followings:

- Cash flows from operating activities were mainly from an increase in loans to customers of 53,303 million baht offset by an increase in deposits of 35,882 million baht and a decrease in properties foreclose of 6,242 million baht.

- Cash flows from investing activities were mainly from a decrease in investments in securities held for investments of 10,346 million baht.

- Cash flows used in financing activities were spent on repayment of borrowings of 10,749 million baht and dividend payment of 6,247 million baht. Cash received from borrowings was 14,520 million baht.

(Unit: Million Baht)

Major Changes Items	2018	2017
Net Cash Flows Received from (used in) Operating Activities	(9,304)	2,615
Net Cash Flows Received from Investing Activities	13,193	14,195
Net Cash Flows used in Financing Activities	(4,323)	(17,434)
Net Decrease in Cash	(434)	(624)
Cash at Beginning of the Year	11,453	12,077
<b>Cash at End of the Year</b>	<b>11,019</b>	<b>11,453</b>

#### Relation between Source and Use of Fund

In 2018, TBANK and its subsidiaries's sources of fund from deposits and borrowings amounted to 752,160 million baht and 43,079 million baht, respectively. Uses of funds in giving loans were 753,498 million baht and investments before allowance for change in value were 161,532 million baht. List of sources and uses of major funds by remaining tenor as of 31 December 2018, the record date of the financial statements, are as follows:

Type	At Call		Less than 1 Year		Over 1 Year		Unspecified		Total	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Sources of Funds										
Deposits	364,977	45.90	342,847	43.11	44,336	5.58	-	-	752,160	94.58
Borrowings	334	0.04	5,600	0.70	37,145	4.67	-	-	43,079	5.42
<b>Total Sources of Funds</b>	<b>365,311</b>	<b>45.94</b>	<b>348,447</b>	<b>43.81</b>	<b>81,481</b>	<b>10.25</b>	<b>-</b>	<b>-</b>	<b>795,239</b>	<b>100.00</b>
Uses of Funds										
Loans <sup>(1)</sup>	40,263	4.40	187,204	20.46	526,031	57.49	-	-	753,498	82.35
Investments	5	-	69,153	7.56	83,190	9.09	9,184	1.00	161,532	17.65
<b>Total Uses of Funds</b>	<b>40,268</b>	<b>4.40</b>	<b>256,357</b>	<b>28.02</b>	<b>609,221</b>	<b>66.58</b>	<b>9,184</b>	<b>1.00</b>	<b>915,030</b>	<b>100.00</b>

**Note:** <sup>(1)</sup> The outstanding balance of loans at call includes stop-accrued loans

From the breakdown of sources and uses of funds by remaining tenor of the financial statements as of 31 December 2018, sources of funds consisted of a major portion of deposits at call of 45.90 percent and deposits reaching maturity less than 1 year of 43.11 percent of total sources of funds. Whereas the uses of funds consisted of a major portion of loans with remaining tenor of over 1 year of 57.49 percent and loans with remaining tenor of less than 1 year of 20.46 percent of total uses of funds. However, this incongruence between the sources and uses of funds is commonly found in the industry of commercial banks and financial institutions as most depositors tend to keep the matured cash deposited after the due date. Furthermore, TBANK had formulated policies to minimize such discrepancy between the sources and uses of funds using financial instruments to efficiently manage risks that TBANK would receive warning signals in advance in case of possible impact on the sources and uses of funds.

### Commitments

As of 31 December 2018, TBANK and its subsidiaries had total commitments of 87,106 million baht, an increase of 3,910 million baht or 4.70 percent from 83,196 million baht at the end of December 2017. This was mainly due to an increase of other obligations as shown in the table below.

(Unit: Million Baht)

	31 December 2018	31 December 2017	Change	
			Increase/ (Decrease)	Percent
Aval to Bills	303	115	188	163.48
Liabilities under Unmatured Import Bills	283	270	13	4.81
Letter of Credits	759	1,045	(286)	(27.37)
Guarantees of Loans	2,402	2,291	111	4.85
Other Obligations				
Committed (but not Drawn) Overdraft	22,341	23,832	(1,491)	(6.26)
Others	61,018	55,643	5,375	9.66
<b>Total</b>	<b>87,106</b>	<b>83,196</b>	<b>3,910</b>	<b>4.70</b>

### Capital Adequacy

As of 31 December 2018, TBANK's capital funds totaled 131,859 million baht, of which an amount of 104,481 million baht was Tier I capital and 27,378 million baht was Tier II capital. The capital adequacy ratio was at 19.45 percent compared to 18.94 percent at the end of 2017. Out of total, Tier I ratio accounted for 15.42 percent while Tier II ratio accounted for 4.03 percent.

However, the capital adequacy ratio of TBANK was well over the minimum requirement of the BOT of not below 10.375 percent. Details are as follows:

### Capital Adequacy Ratio

	31 December 2018		31 December 2017	
	Million Baht	Percent	Million Baht	Percent
Tier I Capital	104,481	15.42	98,209	14.81
Total Capital	131,859	19.45	125,527	18.94

## Thanachart Securities Public Company Limited

Average daily trading volume of TNS in 2018 was 3,152 million baht, a decrease from 3,388 million baht in the previous year. Market share of securities trading was at 3.11 percent, a decrease from the previous year of 3.78 percent. The trading volume could be divided into 50.56 percent of retails, 36.23 percent of institutions, and 13.21 percent of foreign investors.

Net profit for the year ended 31 December 2018 amounted to 593 million baht, a decrease of 16 million baht or 2.63 percent from the previous year. Total income decreased by 6.14 percent, due to the brokerage fees which decreased in line with the trading volume of the stock market during the period. At the same time, fees and service income also decreased. However, interest income on margin loans increased from higher credit balances. Total expenses declined by 8.14 percent which was in line with the decrease in total income and the company's cost control policy.

As of 31 December 2018, TNS maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 37.74 percent, higher than the minimum requirement regulated by SEC of 7.00 percent of general indebtedness and securities pledged.

## Thanachart Fund Management Company Limited

As of 31 December 2018, TFUND had assets under management of 221,360 million baht, a decrease of 7,230 million baht or 3.16 percent from the end of 2017, due to the redemption of fixed income funds. Assets under management comprised of 86.59 percent mutual funds, 7.28 percent provident funds, and 6.13 percent private funds.

Mutual fund business of TFUND ranked 8 with market share of 3.83 percent. Provident fund business ranked 13 with market share of 1.43 percent while private fund business ranked 12 with market share of 1.37 percent.

For operating results in 2018, TFUND had a net profit of 654 million baht, an increase of 228 million baht or 53.52 percent from that of the previous year. This was due to an increase in fund management fees of equity funds which increased at the beginning of the year.

## Thanachart Insurance Public Company Limited

In 2018, TNI had total insurance premium of 7,987 million baht, an increase of 481 million baht or 6.41 percent from the previous year. The increase was due to higher sales volumes through the Bank's branches, dealers and brokers.

For operating results, TNI had a net profit in 2018 of 1,042 million baht, a decrease of 9 million baht or 0.86 percent from the previous year. This was due to higher claims and increasing in its operating expenses.

## TS Asset Management Company Limited

TS AMC Company Limited has been managing non-performing debts in accordance with the policy and business plan of Thanachart Group continuously. As a result, on 31 December 2018, TS AMC's total assets were 2,498 million baht, a decrease of 11 million baht or 0.44 percent from the end of last year.

For operating result in 2018, TS AMC had a net profit of 237 million baht, an increase of 27 million baht or 12.86 percent from the previous year. This was mainly due to the fact that there were gains on debts repayment, gains on debts transferred, and gains on selling NPA.

## Ratchthani Leasing Public Company Limited

As of 31 December 2018, THANI has still had a strong financial structure thanks to the domestic economic growth. THANI's total assets were 47,531 million baht, an increase of 8,039 million baht or 20.36 percent from the end of the previous year. THANI had hire purchase loans and financial leases in the amount of 46,412 million baht, an increase of 7,813 million baht or 20.24 percent. This was mainly from an increase in truck hire purchase. Moreover, the hire purchase loans accounted for 97.64 percent of the total assets. Total liabilities and shareholders' equity were 40,336 million baht and 7,195 million baht, respectively.

Net profit for the year 2018 amounted to 1,641 million baht, an increase of 515 million baht or 45.74 percent from the previous year. Total income amounted to 3,827 million baht, an increase of 520 million baht or 15.97 percent. This was



due to the fact that THANI has been able to maintain its hire purchase market share. At the same time, financial costs were 870 million baht, a decrease of 13 million baht or 1.47 percent, due to the acquisition of low cost borrowings to support new lending in the year 2018. Provision expenses amounted to 403 million baht, a decrease of 121 million baht or 23.09 percent from the previous year, due to the improvement of its asset quality. However, such provision expenses have already included in general provision that THANI decided to add on for supporting the IFRS9 implementation in 2020.

### **MBK Life Assurance Public Company Limited**

As at 31 December 2018, MBK LIFE's total assets amounted to 9,782 million baht, a decrease of 828 million baht or 7.80 percent from the end of 2017.

MBK LIFE had a net loss for the year 2018 in the total amount of 63 million baht, comparing to a net profit of 30 million baht in the year 2017. The main factor affecting its performance was an increase in net insurance premium of 424 million baht while investments income decreased by 248 million baht which was an impact from losses on fair value adjustments compared to that of 2017. Insurance expenses increased from a year earlier by 303 million baht, due mainly to increases in benefits paid under insurance policies and net claims of 652 million baht. Insurance reserve for long-term insurance policies decreased by 467 million baht, due to the fact that the Zero Coupon Yield of the government bonds used to calculate insurance reserve according to the Gross Premium Valuation (GPV) increased from the end of 2017.

### **NFS Asset Management Company Limited**

As at 31 December 2018, NFS AMC had total assets in the amount of 1,035 million baht, a decrease of 258 million baht or 19.95 percent from the end of the previous year.

NFS AMC's net profit for the year 2018 amounted to 14 million baht, a decrease of 10 million baht or 41.67 percent from the previous year. Operating income amounted to 93 million baht, mainly from gains on property foreclosed of 99 million baht and gains on investments of 8 million baht. At the same time, other operating expenses amounted to 31 million baht and impairment loss of loans and debt securities amounted to 32 million baht.

### **MAX Asset Management Company Limited**

As at 31 December 2018, MAX AMC had total assets in the amount of 1,014 million baht, an increase of 269 million baht or 36.11 percent from the end of the previous year.

MAX AMC's net profit for the year 2018 amounted to 201 million baht, an increase of 156 million baht or 346.67 percent from the previous year. Operating income amounted to 288 million baht, mainly from gains on debt settlement/ assets transferred for debt settlement of 299 million baht and gains on property foreclosed of 10 million baht. At the same time, other operating expenses were 28 million baht; impairment loss of loans and debt securities amounted to 11 million baht; and income tax was 48 million baht.

## ABBREVIATIONS

Thanachart Capital Public Company Limited	the Company
Thanachart Bank Public Company Limited	TBANK
Thanachart Securities Public Company Limited	TNS
Thanachart Fund Management Company Limited	TFUND
Thanachart Insurance Public Company Limited	TNI
MBK Life Assurance Public Company Limited	MBK LIFE
Thanachart Group Leasing Company Limited	TGL
Ratchthani Leasing Public Company Limited	THANI
RTN Insurance Broker Company Limited	RTN
NFS Asset Management Company Limited	NFS AMC
MAX Asset Management Company Limited	MAX AMC
TS Asset Management Company Limited	TS AMC
National Leasing Company Limited	NL
Thanachart Management and Services Company Limited	TMS
Thanachart Training and Development Company Limited	TTD
Thanachart Broker Company Limited	TBROKE
Security Scib Services Company Limited	SSV
TM Broker Company Limited	TM Broker
MT Service 2016 Company Limited	MTS
The Bank of Nova Scotia	Scotiabank
Siam City Bank Public Company Limited	SCIB
MBK Public Company Limited	MBK
Prudential Life Assurance (Thailand) Public Company Limited	Prudential
Financial Institutions Development Fund	FIDF
Bank of Thailand	BOT
The Securities and Exchange Commission, Thailand	SEC
The Stock Exchange of Thailand	SET
Office of the Insurance Commission	OIC
Anti-Money Laundering Office	AMLO
Office of the National Anti-Corruption Commission	Office of NACC
EY Office Limited	EY
The United State of America	USA
The Lao People's Democratic Republic	Lao PDR



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