

# MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

For the third quarter and the nine-month period ended 30 September 2018

(Reviewed Financial Statements)

**Thanachart Bank Public Company Limited**

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## Thanachart Bank Public Company Limited and Its Subsidiaries

### Management's Discussion and Analysis (Reviewed Financial Statements)

#### Economics Outlook and Banking Industry

The Thai economy in the third quarter of 2018 showed a tendency to continue a growing trend from the previous quarter growth of 4.60 percent. Private consumption experienced good growth while private investment and government spending should continue to expand. Furthermore, the export sector is likely to continue its uptrend, following a recovering foreign demand, but at a slower rate. Tourism is also expected to have dampened growth as number of Chinese tourists declined. Although the Thai economy in the third quarter has a good sign of growth, the Monetary Policy Committee issued a resolution to maintain a policy rate at 1.50 percent per annum in order to further stimulate the economic expansion and to help ensure inflation target. However, there might be a policy rate increase in the near future. A trade war between USA and China is a key issue to be monitored closely since it will impact the Thai economy in the near future.

In the third quarter of 2018, the loan volume in the commercial bank industry is forecasted to grow slightly from the previous quarter, following the recovering economy. Deposit volume is expected to maintain with a possible build-up in fixed deposit as the market speculates an interest rate uptrend. As the policy rate of USA increased to 2.00-2.25 percent, the yield curve of Thai bonds also increased which will dictate an investment trend of the Thai commercial banks.

#### Key Events

The Meeting of the Board of Directors of Thanachart Bank Public Company Limited No. 8/2018 dated 23 August 2018 issued a resolution for an interim dividend payment from the operating results in the first six-month period of 2018 at 0.51 baht per share, an equivalent of 3,093 million baht or 44.80 percent of first half of 2018 net profit in the Bank only financial statements and 40.70 percent of consolidated financial statements. This is in accordance with the dividend payout policy and dividends were paid on 21 September 2018.

**Financial Highlights**

Reviewed Financial Statements	For the three-month period ended			For the nine-month period ended	
	30 Sep 18	30 Jun 18	30 Sep 17	30 Sep 18	30 Sep 17
<b>Operating Performance (Million Baht)</b>					
Interest Income	11,677	11,473	11,408	34,410	33,185
Interest Expenses	3,835	3,782	3,836	11,355	11,179
Net Interest Income	7,842	7,691	7,572	23,055	22,006
Non-interest Income	2,414	3,277	3,188	9,050	9,045
Net Operating Income <sup>(1)</sup>	10,256	10,968	10,760	32,105	31,051
Other Operating Expenses	4,373	5,009	5,148	14,714	15,884
Pre-Provision Operating Profit (PPOP)	5,883	5,959	5,612	17,391	15,167
Impairment Loss of Loans and Debt Securities	1,234	1,404	1,703	4,065	3,923
Profit before Tax	4,649	4,555	3,909	13,326	11,244
Income Tax	915	558	241	1,639	716
<b>Profit for the Period</b>	<b>3,734</b>	<b>3,997</b>	<b>3,668</b>	<b>11,687</b>	<b>10,528</b>
Other Comprehensive Income	(17)	(1,174)	265	(1,133)	1,073
<b>Total Comprehensive Income</b>	<b>3,717</b>	<b>2,823</b>	<b>3,933</b>	<b>10,553</b>	<b>11,601</b>
Total Attributable to:					
Net Profit	3,734	3,997	3,668	11,687	10,528
Non-Controlling Interests	194	176	135	547	392
<b>The Bank</b>	<b>3,540</b>	<b>3,821</b>	<b>3,533</b>	<b>11,140</b>	<b>10,136</b>
<b>Operating Performance Ratios (Percent)</b>					
ROAA	1.40	1.54	1.42	1.49	1.40
ROAE <sup>(2)</sup>	10.19	11.21	10.76	10.87	10.58
Interest Spread <sup>(3)</sup>	3.08	3.06	3.09	3.05	3.07
Loan Spread <sup>(4)</sup>	4.04	4.00	4.07	4.01	3.98
Credit Cost <sup>(4)</sup>	0.62	0.68	0.89	0.69	0.69
Non-interest Income Ratio <sup>(5)</sup>	23.54	29.88	29.63	28.19	29.13
Cost to Income Ratio <sup>(6)</sup>	42.64	45.67	47.84	45.83	51.15
<b>Financial Position (Million Baht)</b>					
Loans	735,960	723,912	711,675		
Total Assets	1,001,980	1,033,123	1,009,557		
Deposits and Debt Issued and Borrowings	743,605	777,685	755,586		
Total Liabilities	861,617	893,312	873,349		
Total Equity	140,363	139,811	136,208		
<b>Financial Position Quality (Consolidated)</b>					
Loans to Deposits and Debts Issued and Borrowings (Percent)	98.97	93.09	94.19		
Non-performing Loans (Million Baht)	19,090	18,622	18,108		
NPL Ratio (Percent)	2.42	2.25	2.30		
Reserve (Million Baht)	24,469	24,645	24,278		
Coverage Ratio <sup>(7)</sup> (Percent)	128.18	132.34	134.07		
Reserve to Required Reserve <sup>(8)</sup> (Percent)	160.61	165.67	172.91		
<b>Financial Position Quality (Bank Only)</b>					
Non-performing Loans (Million Baht)	15,281	14,865	14,412		
NPL Ratio (Percent)	2.06	1.91	1.94		
Reserve (Million Baht)	20,174	20,367	20,149		
Coverage Ratio <sup>(7)</sup> (Percent)	132.02	137.01	139.80		
Reserve to Required Reserve <sup>(8)</sup> (Percent)	174.16	181.93	191.59		
Capital Adequacy Ratio (Percent)	19.32	18.83	18.94		
Tier I Ratio (Percent)	15.30	14.79	14.81		

(1) Net Operating Income = Net Interest Income + Non-interest Income

(4) Loan Spread = Loan Yield - Cost of Fund

(2) ROAE is calculated from equity attributable to the Bank's shareholders.

(5) Non-interest Income Ratio = Non-interest Income/ Net Operating Income

(3) Interest Spread = Yield - Cost of Fund

(6) Cost to Income Ratio = Other Operating Expenses/ Net Operating Income

Yield = Interest Income/ Average Earning Assets

(7) Coverage Ratio = Total Allowance/ Non-performing Loans

Cost of Fund = Interest Expenses/ Average Paying Liabilities

(8) Reserve to Required Reserve = Total Allowance/ Reserve Required by the BOT

## Operating Results of the Third Quarter and the Nine-Month Period of 2018

### Operating Result Overview

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 the third quarter of 2018 the Bank and its subsidiaries' net profit before tax totaled 4,649 million baht, an increase of 94 million baht or 2.06 percent from the previous quarter**, as a result of the core business growth. **Net profit of the Bank and its subsidiaries was 3,540 million baht, a decrease of 281 million baht or 7.35 percent from the previous quarter**, mainly due to tax benefit utilization which was all utilized since May 2018. However, the Bank continued to strengthen its core business, liquidity and capital.

Net interest income grew 1.96 percent from the previous quarter as a result of loan growth, especially hire purchase loans, and higher interest spread. Non-interest income declined 26.34 percent from a decrease in gains on investments. As a result, total income decreased by 6.49 percent. Operating expenses declined 12.70 percent due to enhanced productivity in business operation. Impairment loss of loans and debt securities expenses decreased 12.11 percent.

Loan volume has been increasing consistently and grew 3.41 percent from the end of last year, mainly from retail and SME loans, while total assets declined slightly. Deposit volume decreased 2.22 percent from NCD deposit, resulting in CASA ratio of 48.83 percent, an increase from 42.93 percent at the end of last year.

**For the nine-month period of 2018, the Bank and its subsidiaries' net profit totaled 11,140 million baht, an increase of 1,004 million baht or 9.91 percent from the same period last year**, mainly from the increase in total income together with an effective cost management.

Net interest income increased 4.77 percent from growing loan volume from the same period last year while non-interest income increased slightly from fees and service income. Operating expenses decreased 7.37 percent. **As a result, pre-provision operating profit (PPOP) in the nine-month period grew 14.66 percent from the same period last year and totaled 17,391 million baht**. Impairment loss of loans and debt securities expenses increased 3.62 percent from growing loan volume.

**NPL on consolidated financial statements increased 982 million baht from the end of last year. NPL ratio ended at 2.42 percent with coverage ratio at 128.18 percent**. Reserve to required reserve as of 30 September 2018 was 160.61 percent.

**For the Bank Only financial statements NPL ratio ended at 2.06 percent with coverage ratio at 132.02 percent**. Reserve to required reserve was at 174.16 percent. **For Capital adequacy, BIS ratio was at 19.32 percent**, an increase from 18.94 percent at the end of 2017. **Tier 1 capital ratio of the Bank is at 15.30 percent, an increase from 14.81 percent at the end of 2017**.

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## Summary of Key Operating Results

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The Bank and its subsidiaries' operating results **in the third quarter of 2018 comparing with the second quarter of 2018** can be summarized as follows:

- Net interest income increased 1.96 percent from growing loan volume, especially hire purchase loans, together with higher interest spread.
- Non-interest income decreased 26.34 percent mainly from lower gains on investments.
- Operating expenses decreased by 12.70 percent from effective cost management.
- Impairment loss of loans and debt securities expenses decreased by 12.11 percent.
- Profit before tax increased 94 million baht or 2.06 percent from core business growth and efficient cost management.
- Net profit totaled 3,540 million baht, a decrease of 281 million baht or 7.35 percent from higher tax expense.
- NPL ratio was at 2.42 percent while coverage ratio was at 128.18 percent.

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The Bank and its subsidiaries' operating results **in the nine-month period of 2018 comparing with the same period last year** can be summarized as follows:

- Net interest income grew 4.77 percent from growing loan volume.
  - Non-interest income grew 0.06 percent from fees and service income.
  - Total income grew 3.39 percent from increase in both net interest income and non-interest income.
  - Operating expenses declined 7.37 percent from an effective cost management.
  - Pre-provision operating profit (PPOP) grew 2,224 million baht or 14.66 percent from increase in total income and an improvement from productivity.
  - Impairment loss of loans and debt securities expenses increased 3.62 percent from growing loan volume.
  - Profit before tax grew 2,082 million baht or 18.52 percent from growing core business and efficient cost management.
  - Net profit totaled 11,140 million baht, an increase of 1,004 million baht or 9.91 percent.
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## Net Interest Income

Net Interest Income (Million Baht)								
	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,677</b>	<b>11,473</b>	<b>204</b>	<b>1.78</b>	<b>34,410</b>	<b>33,185</b>	<b>1,225</b>	<b>3.69</b>
Interbank and Money Market Items	458	439	19	4.33	1,371	939	432	46.01
Investments for Tradings	39	15	24	160.00	72	20	52	260.00
Investments for Debts Securities	636	669	(33)	(4.93)	1,937	2,457	(520)	(21.16)
Loans	4,425	4,398	27	0.61	13,130	13,395	(265)	(1.98)
Hire Purchase and Financial Leases	6,119	5,952	167	2.81	17,900	16,374	1,526	9.32
<b>Interest Expenses</b>	<b>3,835</b>	<b>3,782</b>	<b>53</b>	<b>1.40</b>	<b>11,355</b>	<b>11,179</b>	<b>176</b>	<b>1.57</b>
Deposits	2,258	2,251	7	0.31	6,767	6,420	347	5.40
Interbank and Money Market Items	276	240	36	15.00	717	593	124	20.91
Fund Contributed to FIDF and DPA	869	870	(1)	(0.11)	2,601	2,485	116	4.67
Debts Issued	429	418	11	2.63	1,263	1,676	(413)	(24.64)
Borrowing Fee	3	3	-	-	7	5	2	40.00
<b>Net Interest Income</b>	<b>7,842</b>	<b>7,691</b>	<b>151</b>	<b>1.96</b>	<b>23,055</b>	<b>22,006</b>	<b>1,049</b>	<b>4.77</b>

In the third quarter of 2018 the Bank and its subsidiaries' net interest income totaled 7,842 million baht, an increase of 151 million baht or 1.96 percent from the previous quarter.

- Interest income increased 204 million baht or 1.78 percent from growing loan volume, especially hire purchase loans that grew 3.02 percent in this quarter alone.
- Interest expenses increased 53 million baht or 1.40 percent mainly from interbank and money market items.

Consequently, interest spread in the third quarter 2018 was at 3.08 percent, an increase from 3.06 percent in the previous quarter.

For nine-month period of 2018, the Bank and its subsidiaries had 23,055 million baht in net interest income, an increase of 1,049 million baht or 4.77 percent from the same period last year.

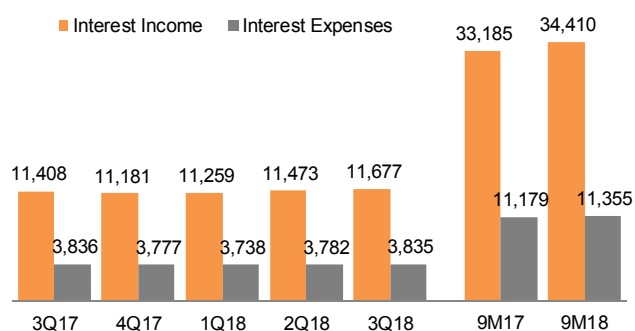
- Interest income increased 1,225 million baht or 3.69 percent from the growing loan volume, especially hire purchase loans which grew 11.36 percent from the same period last year.
- Interest expenses increased 176 million baht or 1.57 percent from higher average deposit volume in nine-month period 2018 as compared to the average volume of the same period last year.

Consequently, interest spread for nine-month period of 2018 was 3.05 percent, a decline from 3.07 percent in the same period last year.

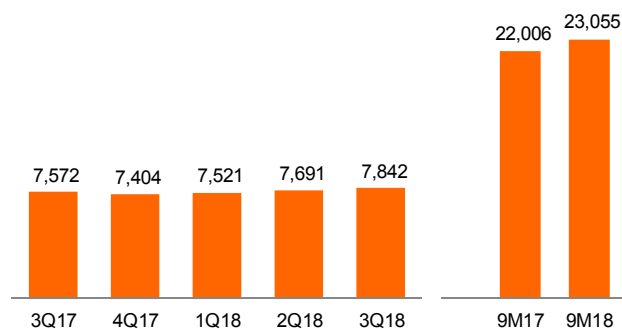
## Yield, Cost of Fund, and Spread (Percent)

	3Q18	2Q18	1Q18	4Q17	3Q17	9M18	9M17
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Yield	4.92	4.92	4.87	4.87	4.96	4.90	4.95
Cost of Fund	1.84	1.87	1.86	1.85	1.87	1.86	1.88
Interest Spread	3.08	3.06	3.00	3.02	3.09	3.05	3.07

**Interest Income and Interest Expenses (Million Baht)**



**Net Interest Income (Million Baht)**



**Non-interest Income**

**Non-interest Income**

			Change				Change	
	3Q18	2Q18	+ / (-)	%	9M18	9M17	+ / (-)	%
<b>Net Fees and Service Income*</b>	<b>1,630</b>	<b>1,564</b>	<b>66</b>	<b>4.22</b>	<b>4,896</b>	<b>4,228</b>	<b>668</b>	<b>15.80</b>
Gains on Trading and F/X Transactions	53	64	(11)	(17.19)	263	376	(113)	(30.05)
Gains on Investments	(608)	153	(761)	(497.39)	108	661	(769)	(116.34)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	105	49	56	114.29	206	169	37	21.89
Net Insurance Income	744	713	31	4.35	2,180	2,163	17	0.79
Dividend Income	77	226	(149)	(65.93)	373	423	(50)	(11.82)
Other Income	413	508	(95)	(18.70)	1,240	1,025	215	20.98
<b>Operating Income</b>	<b>784</b>	<b>1,713</b>	<b>(929)</b>	<b>(54.23)</b>	<b>4,154</b>	<b>4,817</b>	<b>(663)</b>	<b>(13.76)</b>
<b>Non-interest Income</b>	<b>2,414</b>	<b>3,277</b>	<b>(863)</b>	<b>(26.34)</b>	<b>9,050</b>	<b>9,045</b>	<b>5</b>	<b>0.06</b>

\*Net Fees and Service Income including Hire Purchase Fees, Brokerage Fees, Commission Fees from Selling Insurance, Fund Management Fees, and Other Fees and Service Income

**Non-interest income of the Bank and its subsidiaries in the third quarter of 2018 was 2,414 million baht, a decrease of 863 million baht or 26.34 percent** from the previous quarter mainly due to a decline in gains on investments.

- Net fees and service income totaled 1,630 million baht, an increase of 66 million baht or 4.22 percent as a result of insurance commission income and other fees income.
- Operating income amounted to 784 million baht, a decrease of 929 million baht or 54.23 percent from the previous quarter. This was mainly due to gains on investments which declined 761 million baht from adjustment of investment portfolio in accordance with market environment, dividend income declined 149 million baht as it was seasonally high in the previous quarter, and other income which declined from gains on properties foreclose.

Consequently, non-interest income ratio in the third quarter of 2018 was at 23.54 percent, a decline from 29.88 percent in the previous quarter.

**For the nine-month period of 2018 the Bank and its subsidiaries' non-interest income totaled 9,050 million baht, similar to the same period last year. The key details are as follows:**

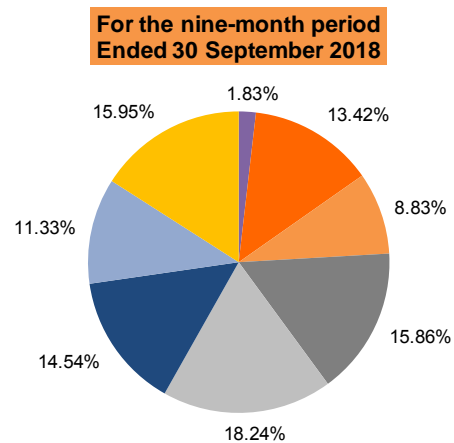
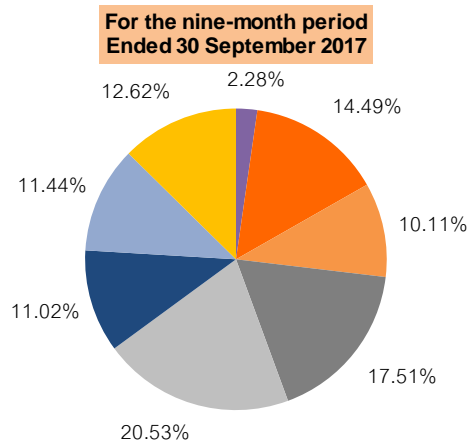
- Net fees and service income was in the amount of 4,896 million baht, an increase of 668 million baht or 15.80 percent, mainly from fund management fees and insurance commission income.

- Operating income was 4,154 million baht, a decrease of 663 million baht or 13.76 percent from the same period last year. This was mainly due to gains on investments which declined 769 million baht as a result of investment portfolio adjustment in accordance to the market environment.

Consequently, non-interest income ratio for nine-month period of 2018 was 28.19 percent, a decrease from 29.13 percent in the same period last year.

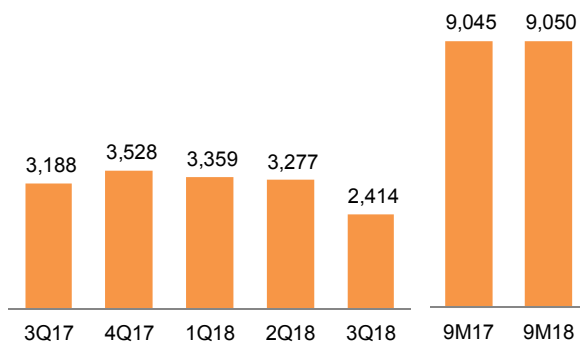
Fees Income Portion\* (Percent)

- Acceptance, Aval and Guarantees
- Brokerage Fees
- ATM and Electronic Banking Services
- Hire Purchase Fees
- Insurance Brokerage Fees
- Fund Management Fees
- Credit Card Fees
- Others

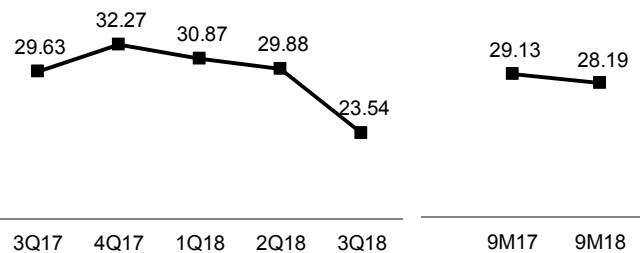


\*Fees Income Portion is based on Gross Fees and Service Income excluding Fees Expenses.

Non-interest Income (Million Baht)



Non-interest Income Ratio (Percent)





## Other Operating Expenses

Other Operating Expenses (Million Baht)								
	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,652	2,797	(145)	(5.18)	8,337	9,156	(819)	(8.94)
Premises and Equipment Expenses	650	646	4	0.62	1,939	2,110	(171)	(8.10)
Taxes and Duties	178	179	(1)	(0.56)	533	547	(14)	(2.56)
Directors' Remuneration	8	35	(27)	(77.14)	50	45	5	11.11
Other Expenses	885	1,352	(467)	(34.54)	3,855	4,026	(171)	(4.25)
<b>Operating Expenses</b>	<b>4,373</b>	<b>5,009</b>	<b>(636)</b>	<b>(12.70)</b>	<b>14,714</b>	<b>15,884</b>	<b>(1,170)</b>	<b>(7.37)</b>

In the third quarter of 2018, the Bank and its subsidiaries' other operating expenses totaled 4,373 million baht, a decrease of 636 million baht or 12.70 percent from the previous quarter, mainly from efficient cost management. As a result, cost to income ratio for the third quarter of 2018 was 42.64 percent, a decrease from 45.67 percent in the previous quarter.

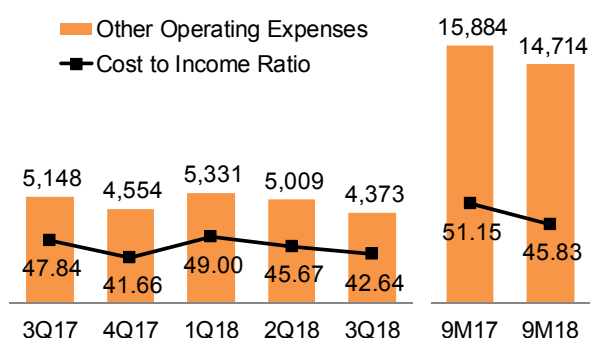
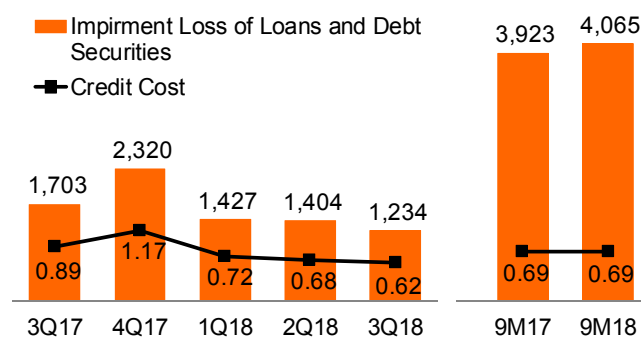
In the nine-month period of 2018, the Bank and its subsidiaries' other operating expenses totaled 14,714 million baht, a decrease of 1,170 million baht or 7.37 percent from the same period last year. Consequently, cost to income ratio for the nine-month period of 2018 was at 45.83 percent, a decrease from 51.15 percent in the same period last year.

## Impairment Loss of Loans and Debt Securities

Impairment Loss of Loans and Debts Securities (Million Baht)								
	3Q18	2Q18	Change		9M18	9M17	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debts Securities	1,234	1,404	(170)	(12.11)	4,065	3,923	142	3.62
Credit Cost (Percent)	0.62	0.68	(0.06)	(8.82)	0.69	0.69	-	-

In the third quarter of 2018, the Bank and its subsidiaries had 1,234 million baht in impairment loss of loans and debt securities, a decrease of 170 million baht or 12.11 percent from the second quarter of 2018. Credit cost for the third quarter of 2018 was 0.62 percent, a decrease from 0.68 percent in the previous quarter.

In the nine-month period of 2018, the Bank and its subsidiaries had 4,065 million baht in impairment loss of loans and debt securities, an increase of 142 million baht or 3.62 percent from the same period last year. Credit cost for the period was at 0.69 percent, similar to the same period last year.

**Other Operating Expenses (Million Baht) and Cost to Income (Percent)**

**Impairment Loss of Loans and Debt Securities (Million Baht) and Credit Cost (Percent)**

**Net Profit Attributable to the Bank**

In the third quarter of 2018, net profit attributable to the Bank totaled 3,540 million baht, a decrease of 281 million baht or 7.35 percent from the previous quarter. Earning per share (EPS) was 0.58 baht in the third quarter of 2018, a decrease from 0.63 baht in the previous quarter. ROAA and ROAE were 1.40 percent and 10.19 percent respectively.

For the nine-month period of 2018, net profit attributable to the Bank totaled 11,140 million baht, an increase of 1,004 million baht or 9.91 percent from the same period last year. Earning per share (EPS) was 1.84 baht in the nine-month period of 2018, an increase from 1.67 baht in the same period last year. ROAA and ROAE were 1.49 percent and 10.87 percent respectively.

**Net Profit (Million Baht)**

Reviewed Financial Statements	For the three-month period ended			For the nine-month period ended	
	30 Sep 18	30 Jun 18	30 Sep 17	30 Sep 18	30 Sep 17
<b>Net Profit (Million Baht)</b>					
Profit for the Period	3,734	3,997	3,668	11,687	10,528
<b>Net Profit Attributable to the Company</b>	<b>3,540</b>	<b>3,821</b>	<b>3,533</b>	<b>11,140</b>	<b>10,136</b>
Net Profit Attributable to Non-controlling Interest	194	176	135	547	392
Basic Earning per Share	0.58	0.63	0.58	1.84	1.67
ROAA (Percent)	1.40	1.54	1.42	1.49	1.40
ROAE (Percent)	10.19	11.21	10.76	10.87	10.58

## Financial Position

Consolidated Statements of Financial Position (Million Baht)						
	30 Sep 18		31 Dec 17		Change	
	Amount	%	Amount	%	+/(-)	%
Cash	8,951	0.89	11,453	1.13	(2,502)	(21.85)
Interbank and Money Market Items - net	70,028	6.99	94,651	9.38	(24,623)	(26.01)
Investment - net	161,375	16.11	167,368	16.58	(5,993)	(3.58)
Investment in Associated Company - net	2,253	0.22	2,258	0.22	(5)	(0.22)
Loans	735,960	73.45	711,675	70.49	24,285	3.41
Accrued Interest Receivables	589	0.06	589	0.06	-	-
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,258)	(2.42)	(24,034)	(2.38)	(224)	0.93
Property Foreclosed - net	2,861	0.29	2,793	0.28	68	2.43
Lands, Premises, and Equipment - net	8,013	0.80	8,622	0.85	(609)	(7.06)
Intangible Assets Acquired in a Business Combination - net	1,902	0.19	2,251	0.22	(349)	(15.50)
Goodwill	17,951	1.79	17,951	1.78	-	-
Other Assets	16,355	1.63	13,980	1.38	2,375	16.99
<b>Total Assets</b>	<b>1,001,980</b>	<b>100.00</b>	<b>1,009,557</b>	<b>100.00</b>	<b>(7,577)</b>	<b>(0.75)</b>
Deposits	700,386	69.90	716,278	70.95	(15,892)	(2.22)
Interbank and Money Market Items	82,306	8.21	82,424	8.16	(118)	(0.14)
Debt Issued and Borrowings	43,219	4.31	39,308	3.89	3,911	9.95
Other Liabilities	35,706	3.56	35,339	3.50	367	1.04
<b>Total Liabilities</b>	<b>861,617</b>	<b>85.99</b>	<b>873,349</b>	<b>86.51</b>	<b>(11,732)</b>	<b>(1.34)</b>
Company's Shareholders' Equity	138,064	13.78	134,290	13.30	3,774	2.81
Non-controlling Interests	2,299	0.23	1,918	0.19	381	19.86
<b>Total Shareholders' Equity</b>	<b>140,363</b>	<b>14.01</b>	<b>136,208</b>	<b>13.49</b>	<b>4,155</b>	<b>3.05</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,001,980</b>	<b>100.00</b>	<b>1,009,557</b>	<b>100.00</b>	<b>(7,577)</b>	<b>(0.75)</b>
Book Value per Share (Baht)	23.14		22.46			
No. of Issued and Paid-up Share Capital (Million Shares)						
Average No. of Shares	6,065		6,065			
As of Period Ended	6,065		6,065			

### Assets

As of 30 September 2018, the Bank and its subsidiaries' total assets amounted to 1,001,980 million baht, a decrease of 7,577 million baht or 0.75 percent from the end of 2017. The key changes are as follows:

- Net interbank and money market items were in the amount of 70,028 million baht, a decrease of 24,623 million baht or 26.01 percent from the end of last year, mainly due to liquidity management.
- Net investments totaled 161,375 million baht, a decrease of 5,993 million baht or 3.58 percent from the end of last year, mainly due to management for suitable yield return.

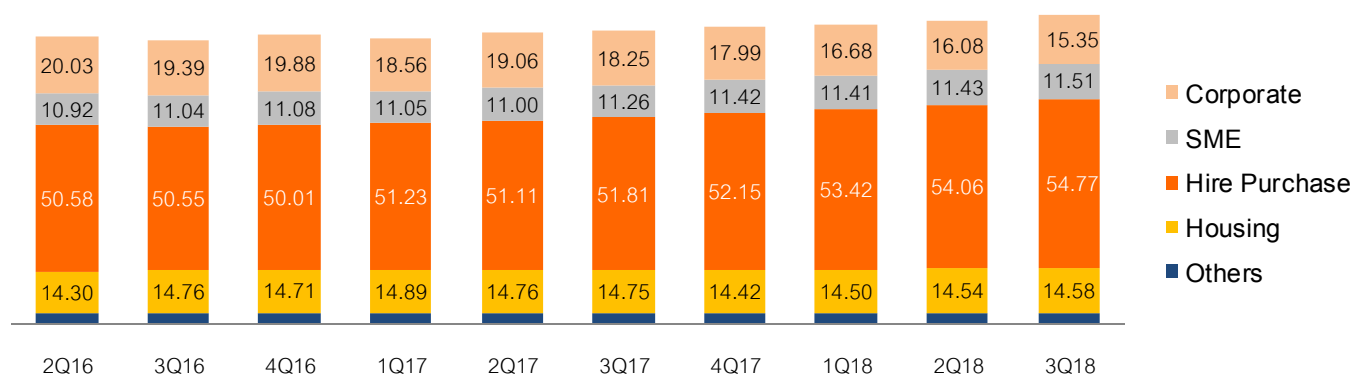
- Loans totaled 735,960 million baht, an increase of 24,285 million baht or 3.41 percent from the end of last year from retail and SME loans. In particular, hire purchase loans grew 8.62 percent as a result of improved process and recovered automotive market. The Bank continued to maintain its leadership position in the market. The proportion of retail to non-retail loans was 72 to 28 percent

The details of loans breakdown were as follows:

Loans (Million Baht)											Change From 2Q18		Change From 4Q17	
Loans	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	+(-)	%	+(-)	%
Corporate	112,942	116,434	118,875	128,026	127,515	132,528	126,624	137,363	131,657	137,657	(3,492)	(3.00)	(15,084)	(11.78)
SME	84,721	82,733	81,317	81,281	78,678	76,479	75,405	76,587	74,987	75,046	1,988	2.40	3,440	4.23
Retail	529,944	516,117	503,420	494,057	484,880	477,826	470,819	467,601	463,317	465,092	13,827	2.68	35,887	7.26
Hire Purchase	403,121	391,318	380,644	371,146	362,011	355,359	349,476	345,493	343,300	347,694	11,803	3.02	31,975	8.62
Housing	107,273	105,229	103,293	102,630	103,037	102,600	101,543	101,598	100,274	98,262	2,044	1.94	4,643	4.52
Other Retail	19,550	19,570	19,483	20,281	19,832	19,867	19,799	20,510	19,742	19,136	(20)	(0.10)	(731)	(3.60)
Others	8,353	8,628	8,977	8,311	7,673	8,412	9,269	9,356	9,188	9,574	(275)	(3.19)	42	0.51
<b>Total Loans</b>	<b>735,960</b>	<b>723,912</b>	<b>712,589</b>	<b>711,675</b>	<b>698,746</b>	<b>695,245</b>	<b>682,117</b>	<b>690,907</b>	<b>679,149</b>	<b>687,368</b>	<b>12,048</b>	<b>1.66</b>	<b>24,285</b>	<b>3.41</b>

\* Other loans including loans of TS AMC and staff loans

### Loans Breakdown (Percent)



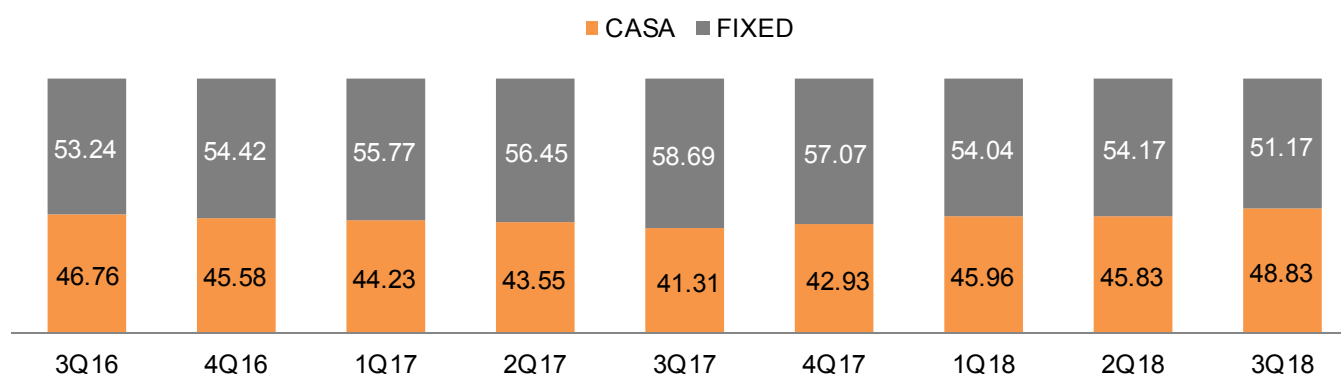
### Liabilities

The Bank and its subsidiaries' total liabilities as of 30 September 2018 amounted to 861,617 million baht, an increase of 11,732 million baht or 1.34 percent from the end of 2017. The key changes are as follows:

**Deposits (Million Baht)**

	30 Sep 18		31 Dec 17		Change	
	Amount	%	Amount	%	+/(-)	%
Current	11,643	1.57	11,961	1.58	(318)	(2.66)
Savings	330,367	44.43	295,567	39.12	34,800	11.77
Fixed Deposits						
Less than 6 Months	43,368	5.83	36,529	4.83	6,839	18.72
6 Months and up to 1 Year	41,266	5.55	63,772	8.44	(22,506)	(35.29)
Over 1 Year	187,455	25.21	165,944	21.96	21,511	12.96
Certified of Deposits	86,287	11.60	142,505	18.86	(56,218)	(39.45)
<b>Total Deposits</b>	<b>700,386</b>	<b>94.19</b>	<b>716,278</b>	<b>94.80</b>	<b>(15,892)</b>	<b>(2.22)</b>
Debt Issued and Borrowings	43,219	5.81	39,308	5.20	3,911	9.95
<b>Total Deposits and Debt Issued and Borrowings</b>	<b>743,605</b>	<b>100.00</b>	<b>755,586</b>	<b>100.00</b>	<b>(11,981)</b>	<b>(1.59)</b>

- Deposits totaled 700,386 million baht, a decrease of 15,892 million baht or 2.22 percent from the end of last year. The decrease was mainly due to NCD deposit while saving deposit increased, resulting in CASA ratio of 48.83 percent, an increase from 42.93 percent at the end of last year.
- Debt issued and borrowings totaled 43,219 million baht, an increase of 3,911 million baht or 9.95 percent mainly from issuance and offering debentures of a subsidiary company.

**Deposits Breakdown (Percent)****Liquidity and Loan to Deposit Ratio**

As of 30 September 2018, loan to deposit and debt issued and borrowing ratio of the Bank and its subsidiaries was 98.97 percent, an increase from 94.19 percent at the end of 2017, due to liquidity management in coherent with market condition. The Bank maintained its strong liquidity with liquid and low risk asset portion in high level.

The Bank also put focus on the implementation of Basel III Liquidity Coverage Ratio (LCR) and currently had been maintaining LCR ratio of more than 100 percent, higher than the regulated requirement of the Bank of Thailand of 80 percent.

## Shareholders' Equity

Shareholders' equity as of 30 September 2018 was in the amount of 140,363 million baht, an increase of 4,155 million baht or 3.05 percent from the end of 2017. The details are as follows:

- The Bank's shareholders' equity was in the amount of 138,064 million baht, an increase of 3,774 million baht or 2.81 percent. This was mainly due to profitable operating results of the Bank and its subsidiaries in the nine-month period of 2018 which totaled 11,140 million baht, mark to market on investment which decreased by 1,055 million baht and dividend payment of 6,247 million baht
- Equity attributable to non-controlling interests was in the amount of 2,299 million baht, an increase of 381 million baht or 19.86 percent, a result of profitable operating results of subsidiaries.

## Non-performing Loans: NPLs

Non-performing Loans	TBANK (Consol.)				
	3Q18	2Q18	1Q18	4Q17	3Q17
NPL - gross (Million Baht)	19,090	18,622	19,146	18,108	16,087
Total Allowance* (Million Baht)	24,469	24,645	24,954	24,278	23,552
NPL - gross to Total Loans (Percent)	2.42	2.25	2.38	2.30	2.11
NPL - net to Total Loans (Percent)	1.31	1.19	1.19	1.19	1.03
Reserve to Required Reserve (Percent)	160.61	165.67	169.38	172.91	174.55
Coverage Ratio (Percent)	128.18	132.34	130.33	134.07	146.41

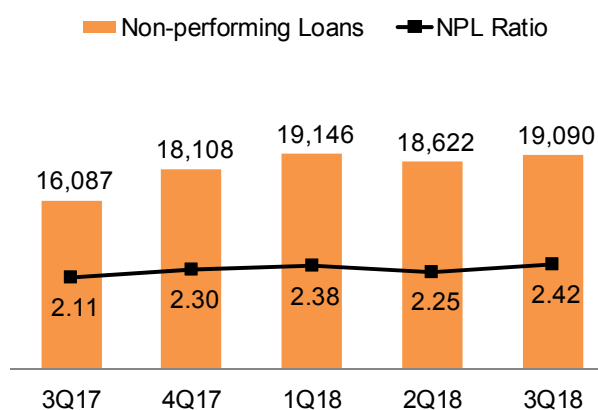
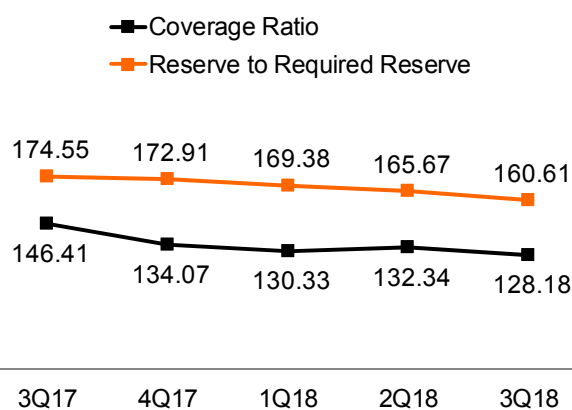
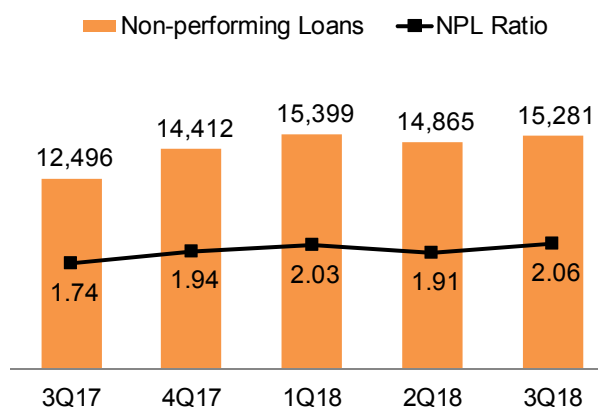
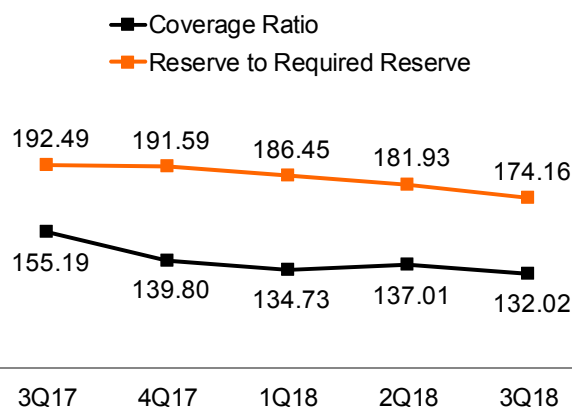
\* Total Allowance including Allowance for Interbank and Money Market Items and Revaluation Allowance for Debt Restructuring

Non-performing Loans	TBANK Only				
	3Q18	2Q18	1Q18	4Q17	3Q17
NPL - gross (Million Baht)	15,281	14,865	15,399	14,412	12,496
Total Allowance* (Million Baht)	20,174	20,367	20,747	20,149	19,392
NPL - gross to Total Loans (Percent)	2.06	1.91	2.03	1.94	1.74
NPL - net to Total Loans (Percent)	1.33	1.20	1.20	1.19	1.02
Reserve to Required Reserve (Percent)	174.16	181.93	186.45	191.59	192.49
Coverage Ratio (Percent)	132.02	137.01	134.73	139.80	155.19

\* Total Allowance including Allowance for Interbank and Money Market Items and Revaluation Allowance for Debt Restructuring

Amid gradual economic recovery, the Bank and its subsidiaries managed NPL through systematic and effective control. NPL as of 30 September 2018 was 19,090 million baht, an increase of 982 million baht or 5.42 percent from the end of last year. However, the Bank and its subsidiaries have maintained strong asset quality with NPL ratio at 2.42 percent, an increase from 2.30 percent at the end of last year. For the Bank only, NPLs increased 869 million baht from the end of last year. NPL ratio of the Bank was at 2.06 percent, an increase from 1.94 percent at the end of last year.

Coverage ratio of the Bank and its subsidiaries as of 30 September 2018 was at 128.18 percent. The Bank and its subsidiaries had an excess reserve of 9,234 million baht and a reserve to required reserve ratio of 160.61 percent. Coverage ratio of the Bank only as of 30 September 2018 was at 132.02 percent. The Bank had an excess reserve of 8,591 million baht and a reserve to required reserve ratio of 174.16 percent

**Non-performing Loans (Million Baht) and NPL Ratio (Percent) of TBANK and Its Subsidiaries**

**Coverage Ratio (Percent) and Reserve to Required Reserve (Percent) of TBANK and Its Subsidiaries**

**Non-performing Loans (Million Baht) and NPL Ratio (Percent) of TBANK**

**Coverage Ratio (Percent) and Reserve to Required Reserve (Percent) of TBANK**

**Capital Adequacy**

The Bank had capital according to Basel III regulation in a total of 131,773 million baht as of 30 September 2018, of which 104,334 million baht was Tier I capital and 27,439 million baht was Tier II capital. BIS ratio was at 19.32 percent, of which 15.30 percent was Tier I capital and 4.02 percent was Tier II capital, as compared to BIS ratio of 18.94 percent in the end of 2017.

**Capital Adequacy Ratio (Percent)**

	Capital Ratio of TBANK					Minimum Requirement By BOT
	3Q18	2Q18	1Q18	4Q17	3Q17	
Total Common Equity Tier I to Risk Weighted Assets	15.30	14.79	14.70	14.81	15.20	6.375
Total Tier I to Risk Weighted Assets	15.30	14.79	14.70	14.81	15.20	7.875
Total Tier II to Risk Weighted Assets	4.02	4.04	4.10	4.13	4.81	-
Total Capital to Risk Weighted Assets	19.32	18.83	18.80	18.94	20.01	10.375

## Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)						
Subsidiaries	Percent of Holding Direct/ Indirect	Net Profit (Loss)				
		3Q18	2Q18	3Q17	9M18	9M17
Thanachart Bank Public Company Limited						
Consolidated Financial Statements		3,540	3,821	3,533	11,140	10,136
Thanachart Securities Public Company Limited	100.00%	133	116	134	498	394
Thanachart Fund Management Company Limited	75.00%	166	170	107	507	314
Thanachart Insurance Public Company Limited	100.00%	257	276	333	807	788
TS AMC Company Limited	100.00%	49	121	53	166	180
Ratchthani Leasing Public Company Limited	65.18%	431	391	302	1,186	806

### Thanachart Securities Public Company Limited

Average daily trading volume of Thanachart Securities Public Company Limited in the third quarter of 2018 was 2,957 million baht, a decrease from 3,221 million baht in the previous quarter. Market share of securities trading was at 3.14 percent, an increase from the previous quarter of 3.07 percent. The trading volume could be divided into 47.20 percent of retails, 40.98 percent of institutions, and 11.82 percent of foreign investors.

**Net profit for the third quarter of 2018 amounted to 133 million baht, an increase of 17 million baht or 14.66 percent** from the previous quarter. Total income amounted to 446 million baht, close to that of the previous quarter. Brokerage fees amounted to 300 million baht, gains and returns on financial instruments amounted to 70 million baht, and interest income on margin loans amounted to 65 million baht. Financial costs and fees and service expenses amounted to 64 million baht, a decrease of 5.88 percent. Operating expenses were 220 million baht, a decrease of 4.35 percent.

**Net profit for the nine-month period ended 30 September 2018 amounted to 498 million baht, an increase of 104 million baht or 26.40 percent** from the same period last year. Total income increased by 6.52 percent, due to the brokerage fees which increased in line with the trading volume of the stock market during the period. Also, interest income on margin loans increased from higher credit balances. Total expenses declined by 3.99 percent.

As of 30 June 2018, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 39.86 percent, higher than the minimum requirement regulated by the Securities and Exchange Commissions (SEC) of 7.00 percent of general indebtedness and securities pledged.

### Thanachart Fund Management Company Limited

As of 30 September 2018, Thanachart Fund Management Company Limited had assets under management of 237,138 million baht, an increase of 8,549 million baht or 3.74 percent from the end of 2017. Assets under management comprised of 87.37 percent mutual funds, 6.77 percent private funds, and 5.86 percent provident funds.

Mutual fund business of the company ranked 8 with market share of 4.15 percent (As of 28 September 2018). Private fund business ranked 11 with market share of 1.41 percent (As of 31 August 2018) while provident fund business ranked 13 with market share of 1.40 percent (As of 31 August 2018).



**For operating results in the third quarter of 2018, the company had a net profit of 166 million baht, a decrease of 4 million baht or 2.35 percent from the previous quarter. For operating results of the nine-month period of 2018, the company had a net profit of 507 million baht, an increase of 193 million baht or 61.46 percent from the same period last year. This was due to an increase in fund management fees which was in line with the increase in assets under management.**

#### **Thanachart Insurance Public Company Limited**

In the third quarter of 2018, Thanachart Insurance Public Company Limited had total insurance premium of 1,999 million baht, an increase of 97 million baht or 5.10 percent from the previous quarter. As well, the company had total insurance premium in the nine-month period of 2018 in the amount of 5,783 million baht, an increase of 223 million baht or 4.01 percent from the same period last year. The increase was due to higher sales volumes through the Bank's branches and dealers.

**For operating results, the company had a net profit in the third quarter of 2018 of 257 million baht, a decrease of 19 million baht or 6.88 percent from the previous quarter. This was due to the increase in insurance claims. For the operating result in the nine-month period of 2018, the company had a net profit of 807 million baht, an increase of 19 million baht or 2.41 percent from the same period last year. This was due to higher premium received and the increase in income on investments.**

#### **TS AMC 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 30 September 2018, the company's total assets were 2,426 million baht, a decrease of 83 million baht or 3.31 percent from the end of last year.

**For operating result of the third quarter of 2018, the company had a net profit of 49 million baht, a decrease of 72 million baht or 59.50 percent from the previous quarter. This was mainly due to the fact that there was a gain on reversal of NPA impairment in the previous quarter of 51 million baht. For operating result of the nine-month period of 2018, the company had a net profit of 166 million baht, a decrease of 14 million baht or 7.78 percent from the same period last year.**

#### **Ratchthani Leasing Public Company Limited**

As of 30 September 2018, Ratchthani Leasing Public Company Limited has still had a strong financial structure. The company's total assets were 45,748 million baht, an increase of 6,256 million baht or 15.84 percent from the end of the previous year. **The company had hire purchase loans in the amount of 44,771 million baht, an increase of 6,173 million baht or 15.99 percent.** This was mainly from an increase in truck hire purchase. Moreover, the hire purchase loans accounted for 97.87 percent of the total assets. Total liabilities and shareholders' equity were 39,007 million baht and 6,741 million baht, respectively.

**Net profit for the third quarter of 2018 amounted to 431 million baht, an increase of 40 million baht or 10.23 percent from the previous quarter.** Total income of the company amounted to 963 million baht, an increase of 19 million baht or 2.01 percent. This was due to the increase in hire purchase lending. At the same time, financial costs were 220 million baht, an increase of 5 million baht or 2.33 percent, due to the acquisition of low cost borrowings to support lending. Provision expenses from normal business operation in the third quarter of 2018 amounted to 33 million

baht. However, the company decided to provide general provision in addition of 40 million baht to protect against global and domestic economic uncertainties. As a result, total provision amounted to 73 million baht, but decreased by 41 million baht or 35.96 percent from the previous quarter.

**Net profit of the nine-month period of 2018 amounted to 1,186 million baht, an increase of 380 million baht or 47.15 percent from the same period last year.** Total income amounted to 2,817 million baht, an increase of 379 million baht or 15.55 percent. This was due to the continued expansion of the company's hire purchase base during 2018. Interest expenses were 644 million baht, a decrease of 24 million baht or 3.59 percent. The decrease was a result of its ability to continue acquiring lower costs of borrowings. Provision expenses amounted to 311 million baht, a decrease of 96 million baht or 23.59 percent. This was due to the improved in its asset quality as well as the additional provision provided to protect against the uncertainties as mentioned.

### **Risk Management**

As of 30 September 2018 TBANK's total capital according to Basel III regulation amounted to 131,773 million baht, an increase from 127,851 million baht at the end of the previous quarter. Consequently, Common Equity Tier I capital and Tier I capital amounted to 104,334 million baht, an increase from the previous quarter of 100,391 million baht. This was due to the operating profit of the Bank. Tier II capital amounted to 27,439 million baht, a slight decrease from the previous quarter of 27,460 million baht.

#### **Capital Fund according to Basel III (Million Baht)**

TBANK Solo Consolidated	Capital Fund according to Basel III			
	30-Sep-18	30-Jun-18	Change	
			+ / (-)	%
Common Equity Tier I Capital	104,334	100,391	3,943	3.93
Tier I Capital	104,334	100,391	3,943	3.93
Tier II Capital	27,439	27,460	(21)	(0.08)
Total Capital	131,773	127,851	3,922	3.07
Risk Weighted Assets	681,891	678,975	2,916	0.43

Credit risk increased due to an increase in loans. Furthermore, market risk decreased from a decrease in trading transactions.

Although market and economic conditions gradually recovered, the Bank has managed NPLs systematically and effectively. As of 30 September 2018, NPL ratio of the Bank was at 2.06 percent, an increase from the previous quarter of 1.91 percent.

Coverage ratio of the Bank as of 30 September 2018 was at 132.02 percent, a decrease from the previous quarter of 137.01 percent. The Bank had 8,591 million baht in excess reserve based on the BOT's regulation with 174.16 percent of reserve required by the BOT, a result of vigilant reserve policy.

Capital was adequate with common equity Tier I ratio, Tier I ratio, and total capital ratio at 15.30, 15.30, and 19.32 percent, respectively. These are higher than the minimum requirement by the BOT of 6.375, 7.875, and 10.375 percent, respectively.

In summary, risk evaluation concluded that the Bank's risk level is within the controlled limit and the Bank has sufficient capital after allocation to support business expansion in sustainable and secure manners as planned.

**Disclaimer**

Thanachart Bank Public Company Limited ('the Bank') had provided this report to publish the Bank's performance. Information contained in this report is the Bank's past performance. Some information may be based on financial information and any information from the other sources as of the date of this report, which are subject to be changed according to economies and politics both inside and outside country. The readers or recipients should consider the information carefully and please use your discretion before making a decision in any transaction. However, the Bank reserves the right with its own discretion to amend or modify the information contained in this report without any prior notice. The Bank shall have no responsibility for any inaccuracy, inappropriate or incomplete of any information contained in this report.

Thanachart Bank Public Company Limited  
and its subsidiaries  
Report and interim consolidated financial statements  
30 September 2018

## **Independent Auditor's Report on Review of Interim Financial Information**

To the Shareholders of Thanachart Bank Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Thanachart Bank Public Company Limited and its subsidiaries as at 30 September 2018, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2018 and the consolidated statements of changes in equity and cash flows for the nine-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Thanachart Bank Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of Review**

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

### **Conclusion**

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 12 November 2018

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

**Statements of financial position**

**As at 30 September 2018**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 September	31 December	30 September	31 December
		2018	2017	2018	2017
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Assets</b>					
Cash		8,950,673	11,452,983	8,949,382	11,444,929
Interbank and money market items - net		70,027,931	94,651,333	69,523,735	94,576,963
Derivatives assets	3	2,884,581	2,889,208	2,882,196	2,888,037
Investments - net	4	161,375,387	167,367,984	150,944,171	157,447,597
Investments in subsidiary and associated companies - net	5	2,252,954	2,258,030	7,156,290	7,170,077
Loans to customers and accrued interest receivables	6				
Loans to customers		798,197,727	766,801,166	740,657,642	715,967,834
Accrued interest receivables		588,996	589,074	589,262	589,271
Total loans to customers and accrued interest receivables		798,786,723	767,390,240	741,246,904	716,557,105
Less: Deferred revenue		(62,237,320)	(55,126,638)	(56,915,975)	(50,462,785)
Allowance for doubtful accounts	7	(24,258,258)	(24,033,034)	(19,930,134)	(19,876,541)
Revaluation allowance for debt restructuring	8	(411)	(977)	(411)	(977)
Net loans to customers and accrued interest receivables		712,290,734	688,229,591	664,400,384	646,216,802
Customers' liability under acceptances		6,564	9,824	6,564	9,824
Properties foreclosed - net		2,860,613	2,792,566	1,698,102	1,467,300
Land, premises and equipment - net		8,013,089	8,621,914	7,812,196	8,396,204
Goodwill and intangible assets - net		19,853,326	20,202,569	19,712,929	20,069,209
Deferred tax assets		744,221	712,880	-	-
Receivables from purchase and sale of securities		5,298,081	3,126,779	3,789,989	33,771
Other assets - net	10	7,421,566	7,241,183	4,298,770	4,738,848
<b>Total assets</b>		<b>1,001,979,720</b>	<b>1,009,556,844</b>	<b>941,174,708</b>	<b>954,459,561</b>

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

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

**Statements of financial position (continued)**

**As at 30 September 2018**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 September	31 December	30 September	31 December
		2018	2017	2018	2017
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Liabilities and equity</b>					
Deposits		700,385,690	716,277,964	701,983,813	717,807,077
Interbank and money market items	11	82,306,005	82,424,434	68,172,695	69,809,251
Liability payable on demand		1,360,751	1,988,656	1,360,751	1,988,656
Derivatives liabilities	3	2,847,702	2,867,633	2,841,206	2,864,594
Debt issued and borrowings	12	43,218,523	39,307,788	20,005,158	20,005,158
Banks' liability under acceptances		6,564	9,824	6,564	9,824
Provisions	13	3,840,367	3,638,175	3,560,375	3,369,306
Deferred tax liabilities		856,276	1,055,733	738,858	939,460
Payables from purchase and sale of securities		5,756,137	2,318,019	3,979,906	43,710
Accrued interest payables		1,975,278	2,355,530	1,844,095	2,241,760
Accrued expenses		4,057,770	5,346,583	3,403,047	4,635,555
Insurance contract liabilities	14	5,462,403	5,475,413	-	-
Other liabilities	15	9,543,126	10,283,135	6,337,697	6,359,724
<b>Total liabilities</b>		<b>861,616,592</b>	<b>873,348,887</b>	<b>814,234,165</b>	<b>830,074,075</b>
<b>Equity</b>					
Share capital					
Registered					
9,913,664,903 ordinary shares of Baht 10 each		99,136,649	99,136,649	99,136,649	99,136,649
Issued and paid-up share capital					
6,064,862,170 ordinary shares of Baht 10 each		60,648,622	60,648,622	60,648,622	60,648,622
Share premium		2,100,694	2,100,694	2,100,694	2,100,694
Other components of equity	16	1,387,334	2,541,962	584,567	1,601,478
Retained earnings					
Appropriated - statutory reserve	17	4,603,710	4,258,534	4,603,710	4,258,534
Unappropriated		69,323,465	64,740,444	59,002,950	55,776,158
<b>Equity attributable to owner of the company</b>		<b>138,063,825</b>	<b>134,290,256</b>	<b>126,940,543</b>	<b>124,385,486</b>
Non-controlling interests of the subsidiaries		2,299,303	1,917,701	-	-
<b>Total equity</b>		<b>140,363,128</b>	<b>136,207,957</b>	<b>126,940,543</b>	<b>124,385,486</b>
<b>Total liabilities and equity</b>		<b>1,001,979,720</b>	<b>1,009,556,844</b>	<b>941,174,708</b>	<b>954,459,561</b>
		-	-	-	-

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

(Unaudited but reviewed)

## Thanachart Bank Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the three-month period ended 30 September 2018

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Profit or loss</b>					
Interest income	19	11,677,768	11,407,579	10,791,302	10,634,616
Interest expenses	20	(3,835,387)	(3,835,603)	(3,628,196)	(3,625,971)
<b>Net interest income</b>		7,842,381	7,571,976	7,163,106	7,008,645
Fees and service income		2,514,033	2,257,107	1,951,392	1,724,536
Fees and service expenses		(883,728)	(806,706)	(827,701)	(740,352)
<b>Net fees and service income</b>	21	1,630,305	1,450,401	1,123,691	984,184
Gains on trading and foreign exchange transactions	22	52,533	105,459	41,247	104,610
Gains on investments	23	(608,550)	372,574	(607,834)	358,637
Share of profit from investments accounted for under equity method		105,231	58,352	-	-
Insurance income		1,706,114	1,762,033	-	-
Dividend income		76,882	74,280	311,297	249,796
Other operating income		413,397	315,412	401,680	316,322
<b>Total operating income</b>		11,218,293	11,710,487	8,433,187	9,022,194
Insurance expenses		(961,688)	(950,051)	-	-
<b>Net operating income</b>		10,256,605	10,760,436	8,433,187	9,022,194
<b>Other operating expenses</b>					
Employee's expenses		2,651,975	2,973,689	2,207,452	2,520,647
Directors' remuneration		7,641	7,381	4,512	4,512
Premises and equipment expenses		650,337	709,039	578,645	635,106
Taxes and duties		178,086	188,056	174,497	183,556
Other expenses		885,388	1,270,261	721,702	1,137,238
<b>Total other operating expenses</b>		4,373,427	5,148,426	3,686,808	4,481,059
<b>Impairment losses of loans and debt securities</b>	24	1,233,772	1,702,494	1,201,737	1,605,929
<b>Profit before income tax</b>		4,649,406	3,909,516	3,544,642	2,935,206
<b>Income tax</b>	25	(915,219)	(241,290)	(649,023)	(7,420)
<b>Profit for the period</b>		3,734,187	3,668,226	2,895,619	2,927,786

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



(Unaudited but reviewed)

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

**Statements of comprehensive income (continued)**

**For the three-month period ended 30 September 2018**

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

Note	Consolidated		Separate	
	2018	2017	2018	2017
<b>Other comprehensive income</b>				
26				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Gains on changes in value of available-for-sale securities	118,519	355,900	21,481	281,908
Share of other comprehensive income of the associate (loss)	(124,366)	(22,044)	-	-
Income tax relating to components of other comprehensive income	(11,267)	(68,976)	(4,296)	(56,382)
<b>Total other comprehensive income (loss)</b>	<b>(17,114)</b>	<b>264,880</b>	<b>17,185</b>	<b>225,526</b>
<b>Total comprehensive income</b>	<b>3,717,073</b>	<b>3,933,106</b>	<b>2,912,804</b>	<b>3,153,312</b>
<b>Total profit attributable to:</b>				
The Bank	3,539,955	3,533,170	2,895,619	2,927,786
Non-controlling interests	194,232	135,056		
	<b>3,734,187</b>	<b>3,668,226</b>		
<b>Total comprehensive income attributable to:</b>				
The Bank	3,522,841	3,798,050	2,912,804	3,153,312
Non-controlling interests	194,232	135,056		
	<b>3,717,073</b>	<b>3,933,106</b>		
<b>Earnings per share of the Bank</b>				
27				
Basic earnings per share				
Profit attributable to the Bank (Baht per share)	0.58	0.58	0.48	0.48

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

(Unaudited but reviewed)

## Thanachart Bank Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the nine-month period ended 30 September 2018

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Profit or loss</b>					
Interest income	19	34,410,045	33,184,887	31,844,784	30,891,652
Interest expenses	20	(11,355,521)	(11,178,979)	(10,752,919)	(10,566,861)
<b>Net interest income</b>		23,054,524	22,005,908	21,091,865	20,324,791
Fees and service income		7,549,268	6,590,760	5,671,093	5,028,451
Fees and service expenses		(2,653,708)	(2,362,543)	(2,477,936)	(2,170,082)
<b>Net fees and service income</b>	21	4,895,560	4,228,217	3,193,157	2,858,369
Gains on trading and foreign exchange transactions	22	263,149	376,050	198,897	326,329
Gains on investments	23	(108,227)	660,690	(140,060)	630,448
Share of profit from investments accounted for under equity method		206,208	168,792	-	-
Insurance income		5,136,263	5,078,962	-	-
Dividend income		372,772	423,558	1,646,367	2,060,823
Other operating income		1,240,585	1,024,897	1,158,321	1,025,387
<b>Total operating income</b>		35,060,834	33,967,074	27,148,547	27,226,147
Insurance expenses		(2,956,152)	(2,916,082)	-	-
<b>Net operating income</b>		32,104,682	31,050,992	27,148,547	27,226,147
<b>Other operating expenses</b>					
Employee's expenses		8,336,568	9,156,504	6,964,064	7,804,017
Directors' remuneration		50,412	44,508	37,562	35,118
Premises and equipment expenses		1,938,601	2,109,868	1,723,306	1,884,837
Taxes and duties		532,944	546,731	521,365	533,111
Other expenses		3,855,418	4,026,161	3,436,132	3,653,498
<b>Total other operating expenses</b>		14,713,943	15,883,772	12,682,429	13,910,581
<b>Impairment losses of loans and debt securities</b>	24	4,064,821	3,923,487	3,838,692	3,641,527
<b>Profit before income tax</b>		13,325,918	11,243,733	10,627,426	9,674,039
<b>Income tax</b>	25	(1,639,138)	(715,918)	(828,297)	(63,760)
<b>Profit for the period</b>		11,686,780	10,527,815	9,799,129	9,610,279

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

(Unaudited but reviewed)

**Thanachart Bank Public Company Limited and its subsidiaries****Statements of comprehensive income (continued)****For the nine-month period ended 30 September 2018**

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

	Note	Consolidated		Separate	
		2018	2017	2018	2017
<b>Other comprehensive income</b>	26				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on changes in value of available-for-sale investments		(1,317,774)	1,252,148	(1,246,579)	1,046,973
Share of other comprehensive income of the associate (loss)		(87,526)	76,919	-	-
Income tax relating to components of other comprehensive income		271,954	(258,122)	249,315	(209,395)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive income of the associate		16	-	-	-
Actuarial gains on defined benefit plan		-	2,607	-	-
Income tax relating to components of other comprehensive income		(2)	(521)	-	-
<b>Total other comprehensive income</b>		<u>(1,133,332)</u>	<u>1,073,031</u>	<u>(997,264)</u>	<u>837,578</u>
<b>Total comprehensive income</b>		<u>10,553,448</u>	<u>11,600,846</u>	<u>8,801,865</u>	<u>10,447,857</u>
<b>Total profit attributable to:</b>					
The Bank		11,140,034	10,136,005	<u>9,799,129</u>	<u>9,610,279</u>
Non-controlling interests		546,746	391,810		
		<u>11,686,780</u>	<u>10,527,815</u>		
<b>Total comprehensive income attributable to:</b>					
The Bank		10,006,702	11,209,036	<u>8,801,865</u>	<u>10,447,857</u>
Non-controlling interests		546,746	391,810		
		<u>10,553,448</u>	<u>11,600,846</u>		
<b>Earnings per share of the Bank</b>	27				
Basic earnings per share					
Profit attributable to the Bank (Baht per share)		<u>1.84</u>	<u>1.67</u>	<u>1.62</u>	<u>1.58</u>

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

(Unaudited but reviewed)

## Thanachart Bank Public Company Limited and its subsidiaries

## Statements of changes in equity

For the nine-month period ended 30 September 2018

(Unit: Thousand Baht)

## Consolidated financial statements

	Note	Other components of equity										Total
		Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control	Surplus on revaluation of assets	Surplus on changes in value of investments - net	Share of other comprehensive income of the associate	Share of surplus from the change in the ownership interests in subsidiaries of the associate	Retained earnings		Non-controlling interests	
									Appropriated - statutory reserve	Unappropriated		
<b>Balance as at 1 January 2017</b>		60,648,622	2,100,694	(123,379)	1,280,588	(64,087)	463,243	-	3,601,763	56,581,148	1,632,000	126,120,592
Dividend paid	18	-	-	-	-	-	-	-	-	(4,851,890)	-	(4,851,890)
Transfer to statutory reserve		-	-	-	-	-	-	-	334,124	(334,124)	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	(272,427)	(272,427)
Surplus from the change in the ownership interests in subsidiaries of the associate		-	-	-	-	-	220	-	-	-	-	220
Profit for the period		-	-	-	-	-	-	-	-	10,136,005	391,810	10,527,815
Other comprehensive income for the period		-	-	-	-	1,001,717	69,228	-	-	2,086	-	1,073,031
Transferred to retained earnings		-	-	-	(23,695)	-	-	-	-	23,695	-	-
<b>Balance as at 30 September 2017</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>(123,379)</u>	<u>1,256,893</u>	<u>937,630</u>	<u>532,691</u>	<u>-</u>	<u>3,935,887</u>	<u>61,556,920</u>	<u>1,751,383</u>	<u>132,597,341</u>
<b>Balance as at 1 January 2018</b>		60,648,622	2,100,694	(123,379)	1,234,813	862,541	531,393	36,594	4,258,534	64,740,444	1,917,701	136,207,957
Effect of share capital reduction of associate	5.3	-	-	-	-	-	-	-	-	13,675	-	13,675
Dividend paid	18	-	-	-	-	-	-	-	-	(6,246,808)	-	(6,246,808)
Transfer to statutory reserve	17	-	-	-	-	-	-	-	345,176	(345,176)	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	(165,144)	(165,144)
Profit for the period		-	-	-	-	-	-	-	-	11,140,034	546,746	11,686,780
Other comprehensive income (loss) for the period		-	-	-	-	(1,054,573)	(78,759)	-	-	-	-	(1,133,332)
Transferred to retained earnings		-	-	-	(19,647)	-	(1,370)	(279)	-	21,296	-	-
<b>Balance as at 30 September 2018</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>(123,379)</u>	<u>1,215,166</u>	<u>(192,032)</u>	<u>451,264</u>	<u>36,315</u>	<u>4,603,710</u>	<u>69,323,465</u>	<u>2,299,303</u>	<u>140,363,128</u>

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

(Unaudited but reviewed)

## Thanachart Bank Public Company Limited and its subsidiaries

## Statements of changes in equity (continued)

For the nine-month period ended 30 September 2018

(Unit: Thousand Baht)

		Separate financial statements						
				Other components of equity		Retained earnings		
	Note	Issued and fully paid-up share capital	Share premium	Surplus on revaluation of assets	Surplus on changes in value of investments - net	Appropriated - statutory reserve	Unappropriated	Total
<b>Balance as at 1 January 2017</b>		60,648,622	2,100,694	1,278,365	(330,781)	3,601,763	48,286,013	115,584,676
Dividend paid	18	-	-	-	-	-	(4,851,890)	(4,851,890)
Transfer to statutory reserve		-	-	-	-	334,124	(334,124)	-
Profit for the period		-	-	-	-	-	9,610,279	9,610,279
Other comprehensive income for the period		-	-	-	837,578	-	-	837,578
Transferred to retained earnings		-	-	(23,695)	-	-	23,695	-
<b>Balance as at 30 September 2017</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>1,254,670</u>	<u>506,797</u>	<u>3,935,887</u>	<u>52,733,973</u>	<u>121,180,643</u>
<b>Balance as at 1 January 2018</b>		60,648,622	2,100,694	1,232,590	368,888	4,258,534	55,776,158	124,385,486
Dividend paid	18	-	-	-	-	-	(6,246,808)	(6,246,808)
Transfer to statutory reserve	17	-	-	-	-	345,176	(345,176)	-
Profit for the period		-	-	-	-	-	9,799,129	9,799,129
Other comprehensive income (loss) for the period		-	-	-	(997,264)	-	-	(997,264)
Transferred to retained earnings		-	-	(19,647)	-	-	19,647	-
<b>Balance as at 30 September 2018</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>1,212,943</u>	<u>(628,376)</u>	<u>4,603,710</u>	<u>59,002,950</u>	<u>126,940,543</u>

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

(Unaudited but reviewed)

**Thanachart Bank Public Company Limited and its subsidiaries****Statements of cash flows****For the nine-month period ended 30 September 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	13,325,918	11,243,733	10,627,426	9,674,039
Adjustments to reconcile profit before income tax to net cash received (paid) from operating activities:				
Share of profit from investments accounted for under equity method	(206,208)	(168,792)	-	-
Depreciation and amortisation	1,097,222	1,176,239	1,035,705	1,114,959
Impairment losses of loans and debt securities	4,064,821	3,923,487	3,838,692	3,641,527
Increase in provisions	592,872	1,084,876	572,105	1,062,106
Amortisation of premiums on investment in debt securities	48,507	286,997	55,333	294,479
Decrease in allowance for impairment of investments	(1,494)	(65,026)	(1,494)	(65,026)
Gain from disposal of investment in the associate company	(16,475)	-	(15,238)	-
Decrease (increase) in allowance for change in value of investments	28,766	(41,381)	39,721	5,808
Increase (decrease) in allowance for impairment of properties foreclosed	(48,864)	17,008	(28,527)	6,274
Increase (decrease) in allowance for impairment of land, premises and equipment	312	(5,436)	-	(5,436)
Interest income and other income from the assets transferred for debt repayment	-	(735)	-	(735)
Loss (gain) on disposal of land, premises and equipment	(26,267)	10,234	(24,281)	11,693
Loss from disposal of intangible assets	-	348	-	-
Unrealised loss (gain) on exchange	(115,042)	926,150	(115,042)	926,150
Increase (decrease) in allowance for impairment of other assets	3,459	34,922	(2,100)	29,693
Decrease in other income receivable	37,504	365,842	25,537	240,240
Decrease in fees and rental received in advance	(171,190)	(125,701)	(171,190)	(125,701)
Decrease in deferred income	(8,065)	(22,912)	(8,065)	(22,912)
Decrease in accrued expenses	(443,609)	(164,825)	(387,304)	(111,594)
	18,162,167	18,475,028	15,441,278	16,675,564
Net interest income	(23,103,031)	(22,292,905)	(21,147,198)	(20,619,270)
Dividend income	(372,772)	(423,558)	(1,646,367)	(2,060,823)
Cash received from interest income	32,458,103	30,781,497	29,989,934	28,552,811
Cash paid for interest expenses	(11,348,353)	(10,250,361)	(11,191,089)	(10,119,530)
Cash paid for corporate income tax	(1,336,677)	(1,009,177)	(367,459)	(179,295)
<b>Income from operating activities before changes in operating assets and liabilities</b>	14,459,437	15,280,524	11,079,099	12,249,457

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

(Unaudited but reviewed)

**Thanachart Bank Public Company Limited and its subsidiaries****Statements of cash flows (continued)****For the nine-month period ended 30 September 2018**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities (continued)</b>				
Decrease (increase) in operating assets				
Interbank and money market items	24,614,088	(35,844,476)	25,033,594	(36,946,154)
Investments in trading securities	(5,131,740)	(1,839,165)	(4,262,095)	(405,421)
Derivatives assets	1,243,609	772,383	1,244,824	772,224
Loans to customers	(32,763,512)	(19,108,556)	(26,213,108)	(11,967,256)
Properties foreclosed	4,490,388	3,917,889	3,904,183	3,318,807
Receivables from purchase and sale of securities	(2,171,302)	(5,314,159)	(3,756,218)	(2,884,289)
Other assets	75,768	1,252,874	295,787	298,702
Increase (decrease) in operating liabilities				
Deposits	(15,892,275)	26,873,572	(15,823,264)	26,966,860
Interbank and money market items	139,006	(2,817,490)	(1,379,121)	(3,895,773)
Liability payable on demand	(627,905)	(75,558)	(627,905)	(75,558)
Derivatives liabilities	(1,404,072)	(1,389,861)	(1,407,529)	(1,390,300)
Payables from purchase and sale of securities	3,438,118	3,037,409	3,936,196	2,140,493
Insurance contract liabilities	(13,010)	373,427	-	-
Other liabilities	(1,641,795)	2,139,658	(710,941)	223,940
<b>Net cash flows used in operating activities</b>	<b>(11,185,197)</b>	<b>(12,741,529)</b>	<b>(8,686,498)</b>	<b>(11,594,268)</b>
<b>Cash flows from investing activities</b>				
Decrease in investments in securities held for investment	10,031,676	18,792,196	9,661,941	20,926,441
Cash received from disposal of investment in the associate company	29,026	-	29,026	-
Cash received from interest on investments	2,207,976	3,021,158	2,128,973	2,951,246
Cash received from dividend	371,243	423,968	1,623,133	1,995,469
Cash paid for purchase of equipment	(86,286)	(284,107)	(89,803)	(257,545)
Cash received from disposal of land, premises and equipment	51,752	10,681	49,143	6,627
Cash paid for purchase of intangible assets	(161,798)	(175,910)	(135,663)	(150,524)
<b>Net cash flows from investing activities</b>	<b>12,443,589</b>	<b>21,787,986</b>	<b>13,266,750</b>	<b>25,471,714</b>

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

(Unaudited but reviewed)

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

**Statements of cash flows (continued)**

**For the nine-month period ended 30 September 2018**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<b>Cash flows from financing activities</b>				
Cash received from borrowings	8,786,161	9,410,254	-	-
Cash paid for borrowings	(4,875,426)	(14,364,750)	-	(10,498,470)
Cash paid for interest from borrowings	(1,259,485)	(1,735,250)	(828,991)	(1,293,366)
Cash paid for dividend	(6,246,808)	(4,851,890)	(6,246,808)	(4,851,889)
Cash paid for dividend to non-controlling interests	(165,144)	(272,427)	-	-
<b>Net cash flows used in financing activities</b>	<b>(3,760,702)</b>	<b>(11,814,063)</b>	<b>(7,075,799)</b>	<b>(16,643,725)</b>
<b>Net decrease in cash</b>	<b>(2,502,310)</b>	<b>(2,767,606)</b>	<b>(2,495,547)</b>	<b>(2,766,279)</b>
<b>Cash at beginning of the period</b>	<b>11,452,983</b>	<b>12,076,997</b>	<b>11,444,929</b>	<b>12,072,227</b>
<b>Cash at end of the period</b>	<b>8,950,673</b>	<b>9,309,391</b>	<b>8,949,382</b>	<b>9,305,948</b>

**Supplemental cash flows information**

Non-cash transactions

Transfer of properties foreclosed from receivables

for debt settlement

4,364,610 3,518,714 3,961,498 3,133,029

Accounts payable for purchase of fixed assets

25,031 20,393 24,389 19,104

Bad debt written-off

4,393,226 5,759,010 4,304,581 4,367,363

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



**Thanachart Bank Public Company Limited and its subsidiaries**  
**Notes to interim consolidated financial statements**  
**For the nine-month period ended 30 September 2018**

**1. General information**

Thanachart Bank Public Company Limited (“Thanachart Bank” or “the Bank”) was incorporated as a public limited company under Thai laws and its parent company is Thanachart Capital Public Company Limited (herein after referred to as “the Parent company”), a public limited company also existing under Thai laws. The Parent company holds 50.96 percent of the Bank’s issued shares and Scotia Netherlands Holding BV, a company registered in Netherlands, holds 49.00 percent of the Bank’s issued shares. The Bank’s registered address is 444, MBK Tower, Phayathai Road, Wangmai, Pathumwan, Bangkok. The Bank has 514 operational branches (31 December 2017: 523 operational branches).

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

**2. Basis of preparation of the financial statements**

**2.1 Basis of preparation of the interim financial statements**

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

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

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

## 2.2 Basis of preparation of the interim consolidated financial statements

- a) The basis of preparation for the interim consolidated financial statements is the same as that for the consolidated financial statements for the year ended 31 December 2017. Therefore, the interim consolidated financial statements included the financial statements of the Bank and the following subsidiary companies.

	Percentage of holding	
	30 September 2018	31 December 2017
<u>Subsidiaries directly held by the Bank</u>		
Thanachart Securities Plc.	100.00	100.00
Thanachart Insurance Plc.	100.00	100.00
Thanachart Fund Management Co., Ltd.	75.00	75.00
Thanachart Broker Co., Ltd.	100.00	100.00
Thanachart Group Leasing Co., Ltd.	100.00	100.00
Thanachart Management and Services Co., Ltd.	100.00	100.00
Thanachart Training and Development Co., Ltd.	100.00	100.00
TS Asset Management Co., Ltd.	100.00	100.00
Security Scib Services Co., Ltd.	100.00	100.00
Ratchthani Leasing Plc.	65.18	65.18
<u>Subsidiary indirectly held by the Bank</u>		
National Leasing Co., Ltd. <sup>(1)</sup>	-	100.00

(1) On 20 September 2018, National Leasing Co., Ltd. returned all capital to its shareholders.

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 30 September 2018 and 31 December 2017 and for the nine-month periods ended 30 September 2018 and 2017, after eliminating significant intercompany transactions, are as follows:

	Total assets		Net operating income for the nine-month periods ended 30 September	
	30 September	31 December		
	2018	2017	2018	2017
Ratchthani Leasing Plc.	45,434	39,019	2,119	1,741
TS Asset Management Co., Ltd.	2,132	2,528	90	154
Thanachart Insurance Plc.	13,868	12,784	2,466	2,431
Thanachart Securities Plc.	11,554	11,447	1,321	1,238

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

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

#### **2.4 New financial reporting standards**

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

During the period, the Bank and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Bank and its subsidiaries' financial statements.

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

During the period, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019 and a set of 5 standards related to financial instruments, which are effective for fiscal years beginning on or after 1 January 2020. Key principles of these standards are summarised below.

##### **TFRS 15 Revenue from Contracts with Customers**

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

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

### **Thai Financial Reporting Standards related to financial instruments**

The set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 9	Financial Instruments
TFRS 7	Financial Instruments: Disclosures

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

### **2.5 Significant accounting policies**

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

### 3. Derivatives

As at 30 September 2018 and 31 December 2017, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for hedging derivatives (banking book), were classified by type of risk as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 September 2018			31 December 2017		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
<b>Types of risk</b>						
<b>Foreign exchange rate</b>						
Derivatives for trading	979	936	101,174	530	585	85,137
Derivatives for banking book	27	2	1,402	128	32	9,592
<b>Interest rate</b>						
Derivatives for trading	1,461	1,453	290,075	1,848	1,785	271,684
Derivatives for banking book	-	-	21,530	-	-	20,530
<b>Foreign exchange rate and interest rate</b>						
Derivatives for trading	123	107	5,021	139	138	7,931
Derivatives for banking book	292	343	18,050	243	325	10,425
<b>Others</b>						
Derivatives for trading	3	7	2,904	1	3	2,303
<b>Total</b>	<b>2,885</b>	<b>2,848</b>	<b>440,156</b>	<b>2,889</b>	<b>2,868</b>	<b>407,602</b>

\* Disclosed only in case that the Bank and its subsidiaries have an obligation to pay

(Unit: Million Baht)

	Separate financial statements					
	30 September 2018			31 December 2017		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
<b>Types of risk</b>						
<b>Foreign exchange rate</b>						
Derivatives for trading	979	936	101,174	530	585	85,137
Derivatives for banking book	27	2	1,402	128	32	9,592
<b>Interest rate</b>						
Derivatives for trading	1,461	1,453	290,075	1,848	1,785	271,684
Derivatives for banking book	-	-	21,530	-	-	20,530
<b>Foreign exchange rate and interest rate</b>						
Derivatives for trading	123	107	5,021	139	138	7,931
Derivatives for banking book	292	343	18,050	243	325	10,425
<b>Total</b>	<b>2,882</b>	<b>2,841</b>	<b>437,252</b>	<b>2,888</b>	<b>2,865</b>	<b>405,299</b>

\* Disclosed only in case that the Bank has an obligation to pay

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

## 4. Investments

### 4.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 September 2018		31 December 2017		30 September 2018		31 December 2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Trading securities</b>								
Government and state enterprises securities	13,161	13,130	9,119	9,127	13,161	13,130	9,119	9,127
Private debt securities	483	482	232	232	483	482	263	263
Domestic marketable equity securities	2,587	2,562	1,749	1,713	-	-	-	-
	16,231	16,174	11,100	11,072	13,644	13,612	9,382	9,390
Add (less): Allowance for change in value	(57)		(28)		(32)		8	
Net	16,174		11,072		13,612		9,390	
<b>Available-for-sale securities</b>								
Government and state enterprises securities	101,076	100,622	113,782	113,978	99,678	99,226	110,482	110,673
Private debt securities	18,973	18,893	24,009	24,336	14,541	14,458	21,052	21,339
Foreign debt securities	18,008	17,820	10,441	10,430	18,008	17,820	10,441	10,430
Domestic marketable equity securities	3,410	3,799	2,744	3,203	1,771	1,709	1,302	1,290
Unit trusts	3	3	403	415	-	-	200	206
	141,470	141,137	151,379	152,362	133,998	133,213	143,477	143,938
Add (less): Allowance for change in value	(333)		983		(785)		461	
Net	141,137		152,362		133,213		143,938	
<b>Held-to-maturity debt securities</b>								
Government and state enterprises securities	211	216	42	49	-	-	-	-
Private debt securities	220	245	240	273	505	538	485	531
Net	431	461	282	322	505	538	485	531
<b>General investments</b>								
Unit trusts	-		25		-		25	
Domestic non-marketable equity securities	3,640		3,636		3,621		3,619	
Foreign non-marketable equity securities	1		1		1		1	
	3,641		3,662		3,622		3,645	
Less: Allowance for impairment	(8)		(10)		(8)		(10)	
Net	3,633		3,652		3,614		3,635	
<b>Total investments - net</b>	<b>161,375</b>		<b>167,368</b>		<b>150,944</b>		<b>157,448</b>	

## 5. Investments in subsidiary and associated companies

### 5.1 Separate financial statements

As at 30 September 2018 and 31 December 2017, investments in subsidiary and associated companies in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following subsidiary and associated companies:

(Unit: Million Baht)

Company's name	Separate financial statements							
	Paid-up share capital		Percentage of holding (%)		Value of investment under the cost method		Dividend income for the nine-month periods ended	
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Subsidiary companies</b>								
TS Asset Management Co., Ltd.	2,000	2,000	100	100	2,000	2,000	250	330
Thanachart Securities Plc.	1,500	1,500	100	100	1,858	1,858	600	660
Ratchthani Leasing Plc.	3,020	2,416	65.18	65.18	1,201	1,201	47	331
Thanachart Insurance Plc.	740	740	100	100	867	867	-	-
Thanachart Group Leasing Co., Ltd.	360	360	100	100	400	400	-	-
Thanachart Broker Co., Ltd.	100	100	100	100	104	104	40	90
Thanachart Fund Management Co., Ltd.	100	100	75	75	97	97	420	287
Security Scib Services Co., Ltd.	10	10	100	100	5	5	-	-
Thanachart Management and Services Co., Ltd.	6	6	100	100	6	6	-	-
Thanachart Training and Development Co., Ltd.	5	5	100	100	5	5	15	22
<b>Total investments in subsidiary companies</b>					<b>6,543</b>	<b>6,543</b>	<b>1,372</b>	<b>1,720</b>
Less: Allowance for impairment					(5)	(5)		
<b>Total investments in subsidiary companies - net</b>					<b>6,538</b>	<b>6,538</b>		
<b>Associated company</b>								
MBK Plc.	1,695	1,708	3.41	3.46	618	632	43	51
<b>Total investment in an associated company</b>					<b>618</b>	<b>632</b>	<b>43</b>	<b>51</b>
<b>Total investments in subsidiary and associated companies - net</b>					<b>7,156</b>	<b>7,170</b>	<b>1,415</b>	<b>1,771</b>

In May 2018, the Bank sold its investment in 1,290,700 ordinary shares of MBK Plc. at a price of Baht 29 million, and recognised gains on disposal of Baht 16 million in the consolidated financial statements and Baht 15 million in the separate financial statements.

## 5.2 Consolidated financial statements

As at 30 September 2018 and 31 December 2017, investment in an associated company, which presented under the equity method, in the consolidated financial statements consists of investment in ordinary shares of the following company which operates in Thailand:

Company's name	Paid-up share capital		Percentage of holding (%)		Value of investment				Dividend income for the nine-month periods ended		Share of profit for the nine-month periods ended		Share of other comprehensive income for the nine-month periods ended	
	30 September	31 December	30 September	31 December	Cost method		Equity method		30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
MBK Plc. (operating in property rental, hotel and services business)	1,695	1,708	9.90	9.90	884	891	2,253	2,258	125	123	206	169	(87)	77
Total investment in an associated company					884	891	2,253	2,258	125	123	206	169	(87)	77

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

## 5.3 Summarised financial information of an associated company

- a) Summarised financial information of MBK Plc. as at 30 June 2018 and 30 September 2017 and for the nine-month periods ended 30 June 2018 and 2017 are as follows:

Paid-up share capital		Total assets <sup>(2)</sup>		Total liabilities <sup>(2)</sup>		Total income for the nine-month periods ended		Profit for the nine-month periods ended		Other comprehensive income for the nine-month periods ended	
30 June	30 September	30 June	30 September	30 June	30 September	30 June		30 June		30 June <sup>(2)</sup>	
2018 <sup>(1)</sup>	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1,695	1,708	51,083	46,668	27,576	23,830	9,288	7,912	2,088	1,550	(851)	696

(1) Presents in the amount after adjustment for the effect of capital reduction of an associated company.

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



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

On 26 July 2018, MBK Plc. decreased its registered share capital by 13,037,000 shares. As a result, the issued and paid-up share capital decreased from 1,707,960,000 shares to 1,694,923,000 shares and the shareholding of the Bank and its subsidiaries increased from 9.82 percent to 9.90 percent. The Bank and its subsidiaries recognised the effect of changes in the shareholding of Baht 14 million in retained earnings.

b) The fair value of investment in an associated company

As at 30 September 2018 and 31 December 2017, the fair value of investment in an associated company which is listed on the Stock Exchange of Thailand is as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
MBK Plc.	4,321	3,263	1,489	1,141

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
<u>Loans to customers</u>				
Overdrafts	16,062	16,668	16,062	16,668
Loans	265,194	262,029	262,579	259,202
Notes receivables	45,413	56,178	47,383	57,747
Hire purchase receivables	464,858	425,948	412,922	381,032
Financial lease receivables	2,180	1,710	1,560	1,166
Others	152	153	152	153
Less: Deferred revenues	(62,237)	(55,127)	(56,916)	(50,463)
Total loans to customers net of deferred revenues	731,622	707,559	683,742	665,505
Add: Accrued interest receivables	589	589	589	589
Total loans to customers and accrued interest receivables net of deferred revenues	732,211	708,148	684,331	666,094
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual Approach	(8,238)	(7,962)	(4,566)	(4,424)
- Collective Approach	(6,773)	(5,820)	(6,773)	(5,820)
2) Excess provision	(9,233)	(10,237)	(8,591)	(9,632)
Less: Revaluation allowance for debt restructuring	(1)	(1)	(1)	(1)
Loans to customers and accrued interest receivables - net	707,966	684,128	664,400	646,217
<u>Securities business receivables</u>				
Credit balances receivables	4,323	4,101	-	-
Other receivables	16	15	-	-
Total securities business receivables	4,339	4,116	-	-
Less: Allowance for doubtful accounts	(14)	(14)	-	-
Securities business receivables - net	4,325	4,102	-	-
Loans to customers and accrued interest receivables - net	712,291	688,230	664,400	646,217

## 6.2 Non-performing loans

As at 30 September 2018 and 31 December 2017, the Bank and its subsidiaries (securities and asset management businesses) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Non-performing loans (excluding accrued interest receivables)				
Banking business	15,286	14,417	15,281	14,412
Securities business	46	14	-	-
Asset management business	1,964	2,019	-	-

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

Additionally, the Bank and its subsidiary engaged in the securities business had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Banking business	21,337	21,394	21,331	21,389
Securities business	46	14	-	-

The subsidiary company engaged in the asset management business recognises income from loan on a cash basis.

### 6.3 Debt restructuring

During the nine-month periods ended 30 September 2018 and 2017, the Bank and its subsidiaries (which engaged in asset management and securities business) have entered into debt restructuring agreements with their debtors as follows:

Consolidated financial statements					
For the nine-month periods ended 30 September					
Type of restructuring	Number of debtors	Outstanding balance before restructuring <sup>(1)</sup> Million Baht	Outstanding balance after restructuring <sup>(1)</sup> Million Baht	Type of assets to be transferred under agreement	Fair value of assets to be transferred under agreement Million Baht
<b>2018</b>					
Modification of repayment conditions	874	1,662	1,652		
Total	874	1,662	1,652		
<b>2017</b>					
Modification of repayment conditions	870	1,759	1,759		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	60	59	Land, buildings and cars	49
Total	872	1,819	1,818		

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

Separate financial statements					
For the nine-month periods ended 30 September					
Type of restructuring	Number of debtors	Outstanding balance before restructuring <sup>(1)</sup> Million Baht	Outstanding balance after restructuring <sup>(1)</sup> Million Baht	Type of assets to be transferred under agreement	Fair value of assets to be transferred under agreement Million Baht
<b>2018</b>					
Modification of repayment conditions	851	1,586	1,576		
Total	851	1,586	1,576		
<b>2017</b>					
Modification of repayment conditions	856	1,672	1,672		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	60	59	Land, buildings and cars	49
Total	858	1,732	1,731		

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

Counting from the end of the period, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the nine-month periods ended 30 September 2018 and 2017, are summarised below.

Consolidated financial statements				
For the nine-month periods ended 30 September				
Periods	2018		2017	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	231	478	285	638
Due within the year	172	362	202	544
Less than 5 years	207	224	239	340
5 - 10 years	171	357	107	206
10 - 15 years	27	87	12	27
Over 15 years	66	144	27	63
<b>Total</b>	<b>874</b>	<b>1,652</b>	<b>872</b>	<b>1,818</b>

Separate financial statements				
For the nine-month periods ended 30 September				
Periods	2018		2017	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	231	478	284	635
Due within the year	155	350	197	529
Less than 5 years	202	160	234	283
5 - 10 years	170	357	105	201
10 - 15 years	27	87	11	20
Over 15 years	66	144	27	63
<b>Total</b>	<b>851</b>	<b>1,576</b>	<b>858</b>	<b>1,731</b>

Supplemental information for the nine-month periods ended 30 September 2018 and 2017 relating to restructured loans is as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interest income recognised in the statements of comprehensive income	488	693	435	580
Cash repayment from receivables	1,886	2,591	1,648	2,181
Properties foreclosed received for debts settlement	8	63	8	63
Loss on debt restructuring (net of allowance for doubtful accounts as previously recorded)	9	-	9	-

As at 30 September 2018 and 31 December 2017, the Bank and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables					
	Number of receivables		Outstanding balances		Outstanding balances net of collateral	
	30 September	31 December	30 September	31 December	30 September	31 December
	2018	2017	2018	2017	2018	2017
		Million Baht	Million Baht	Million Baht	Million Baht	
Thanachart Bank Plc.	6,874	8,465	7,864	8,240	1,597	1,772
TS Asset Management Co., Ltd.	202	238	2,390	2,580	1,567	1,771

#### 6.4 Classified by classification

As at 30 September 2018 and 31 December 2017, the Bank and its financial institution subsidiary (asset management business) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements <sup>(1)</sup>					
	Loans and accrued interest		Net balances used in making		Allowance for doubtful	
	receivables		allowance for doubtful		accounts	
	30 September	31 December	30 September	31 December	30 September	31 December
	2018	2017	2018	2017	2018	2017
Normal	640,178	624,828	341,373	416,556	3,943	3,310
Special mention	27,810	26,304	25,675	23,844	2,391	2,336
Substandard	4,368	5,938	2,193	2,977	1,518	2,219
Doubtful	3,391	2,672	1,643	1,490	1,100	823
Doubtful of loss	9,495	7,829	2,634	3,651	3,774	3,013
<b>Total</b>	<b>685,242</b>	<b>667,571</b>	<b>373,518</b>	<b>448,518</b>	<b>12,726</b>	<b>11,701</b>
Additional allowance for possible uncollectability debts					9,013	10,017
<b>Total</b>					<b>21,739</b>	<b>21,718</b>

(1) Only the Bank and a subsidiary company subject to BOT's regulations; and after deducting intragroup transactions.

(Unit: Million Baht)

	Separate financial statements					
	Loans and accrued interest		Net balances used in making		Allowance for doubtful	
	receivables		allowance for doubtful		accounts	
	30 September	31 December	30 September	31 December	30 September	31 December
	2018	2017	2018	2017	2018	2017
Normal	641,307	625,455	342,989	417,646	3,959	3,321
Special mention	27,739	26,224	25,663	23,829	2,391	2,336
Substandard	4,313	5,699	2,182	2,785	1,508	2,027
Doubtful	3,366	2,616	1,643	1,484	1,099	816
Doubtful of loss	7,606	6,100	1,243	2,381	2,382	1,744
<b>Total</b>	<b>684,331</b>	<b>666,094</b>	<b>373,720</b>	<b>448,125</b>	<b>11,339</b>	<b>10,244</b>
Additional allowance for possible uncollectability debts					8,591	9,632
<b>Total</b>					<b>19,930</b>	<b>19,876</b>

## Percentage of allowance for doubtful accounts

	The Banks' hire purchase receivables-			
	personal consumer <sup>(2)</sup>		Other loans	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Normal	0.90	0.71	1	1
Special mention	9.48	10.03	2	2
Substandard	47.05	40.67	100	100
Doubtful	42.45	39.66	100	100
Doubtful of loss	71.81	40.60	100	100

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

## 6.5 Loans to companies which have settlement problems

As at 30 September 2018 and 31 December 2017, loans of the Bank and its subsidiaries (which engaged in asset management and hire purchase and financial lease businesses) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

## Consolidated financial statements

	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30	31	30	31	30	31	30	31
	September	December	September	December	September	December	September	December
	2018	2017	2018	2017	2018	2017	2018	2017
			Million	Million	Million	Million	Million	Million
			Baht	Baht	Baht	Baht	Baht	Baht
1. Listed companies possible to delisting from the SET	6	4	203	205	2	1	3	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	34	32	352	554	201	310	151	244
3. Companies which have loan settlement problems or have defaulted on the repayment	969	940	8,026	7,809	4,408	4,180	3,743	3,583



Separate financial statements							
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	in the accounts
			Million Baht	Million Baht	Million Baht	Million Baht	30 September 2018
1. Listed companies possible to delisting from the SET	4	3	201	204	-	-	3
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	31	30	350	553	201	310	149
3. Companies which have loan settlement problems or have defaulted on the repayment	330	372	5,179	4,874	3,818	3,631	1,361
							1,243

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

As at 30 September 2018 and 31 December 2017, a subsidiary company operating in the securities business classified securities business receivables and accrued interest receivables in accordance with the Notification of the Securities and Exchange Commission (“SEC”), governing accounting for the non-performing debts of securities companies as follows:

	(Unit: Million Baht)					
	Debt balances		Allowance for doubtful accounts		Debt balances net of allowance for doubtful accounts	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Normal	4,293	4,102	-	-	4,293	4,102
Substandard	33	1	1	1	32	-
Doubtful	13	13	13	13	-	-
Total	4,339	4,116	14	14	4,325	4,102

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

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

As at 30 September 2018 and 31 December 2017, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

	(Unit: Million Baht)	
	30 September 2018	31 December 2017
Current or overdue not over 90 days	45,058	38,793
Overdue 91 - 365 days	853	811
Overdue more than 1 year	195	168
Debtors under legal actions	745	679
<b>Total</b>	<b>46,851</b>	<b>40,451</b>
Allowance for doubtful accounts provided in the accounts	2,505	2,301

**7. Allowance for doubtful accounts**

(Unit: Million Baht)

Consolidated financial statements									
For the nine-month period ended 30 September 2018									
The Bank and a subsidiary company which is a financial institution									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Other subsidiary companies	Consolidated
Balance - beginning of the period	3,310	2,336	2,219	823	3,013	10,017	21,718	2,315	24,033
Increase (decrease) during the period	633	55	(701)	277	4,351	(1,004)	3,611	275	3,886
Bad debts recovery	-	-	-	-	723	-	723	9	732
Bad debts written-off	-	-	-	-	(4,313)	-	(4,313)	(80)	(4,393)
<b>Balance - end of the period</b>	<b>3,943</b>	<b>2,391</b>	<b>1,518</b>	<b>1,100</b>	<b>3,774</b>	<b>9,013</b>	<b>21,739</b>	<b>2,519</b>	<b>24,258</b>

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2017									
The Bank and a subsidiary company which is a financial institution									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	General provision	Total	Other subsidiary companies	Consolidated
Balance - beginning of the year	2,985	2,150	1,644	906	3,100	11,707	22,492	2,124	24,616
Increase (decrease) during the year	325	186	575	(83)	6,428	(1,690)	5,741	289	6,030
Bad debts recovery	-	-	-	-	1,050	-	1,050	9	1,059
Bad debts written-off	-	-	-	-	(7,565)	-	(7,565)	(107)	(7,672)
<b>Balance - end of the year</b>	<b>3,310</b>	<b>2,336</b>	<b>2,219</b>	<b>823</b>	<b>3,013</b>	<b>10,017</b>	<b>21,718</b>	<b>2,315</b>	<b>24,033</b>

(Unaudited but reviewed)

(Unit: Million Baht)

Separate financial statements							
For the nine-month period ended 30 September 2018							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the period	3,321	2,336	2,027	816	1,744	9,632	19,876
Increase (decrease) during the period	638	55	(519)	283	4,253	(1,041)	3,669
Bad debts recovery	-	-	-	-	690	-	690
Bad debts written-off	-	-	-	-	(4,305)	-	(4,305)
Balance - end of the period	<u>3,959</u>	<u>2,391</u>	<u>1,508</u>	<u>1,099</u>	<u>2,382</u>	<u>8,591</u>	<u>19,930</u>

(Unit: Million Baht)

Separate financial statements							
For the year ended 31 December 2017							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	2,998	2,151	1,619	877	1,773	9,883	19,301
Increase (decrease) during the year	323	185	408	(61)	5,141	(251)	5,745
Bad debts recovery	-	-	-	-	1,050	-	1,050
Bad debts written-off	-	-	-	-	(6,220)	-	(6,220)
Balance - end of the year	<u>3,321</u>	<u>2,336</u>	<u>2,027</u>	<u>816</u>	<u>1,744</u>	<u>9,632</u>	<u>19,876</u>

**8. Revaluation allowance for debt restructuring**

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the nine-month period ended	For the year ended	For the nine-month period ended	For the year ended
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
Balance - beginning of the period/year	1	2	1	2
Amortised during the period/year	-	(1)	-	(1)
Balance - end of the period/year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

## 9. Classification of assets

As at 30 September 2018 and 31 December 2017, the quality of assets of the Bank and its financial institution subsidiary (asset management business) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 September 2018					
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Properties foreclosed	Other assets	Total
Normal	54,052	640,178	-	-	154	694,384
Special mention	-	27,810	-	-	112	27,922
Substandard	-	4,368	-	-	11	4,379
Doubtful	-	3,391	-	-	10	3,401
Doubtful of loss	-	9,495	1,053	302	291	11,141
<b>Total</b>	<b>54,052</b>	<b>685,242</b>	<b>1,053</b>	<b>302</b>	<b>578</b>	<b>741,227</b>

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2017					
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Properties foreclosed	Other assets	Total
Normal	76,154	624,828	-	-	187	701,169
Special mention	-	26,304	-	-	116	26,420
Substandard	-	5,938	-	-	11	5,949
Doubtful	-	2,672	-	-	9	2,681
Doubtful of loss	-	7,829	299	358	297	8,783
<b>Total</b>	<b>76,154</b>	<b>667,571</b>	<b>299</b>	<b>358</b>	<b>620</b>	<b>745,002</b>

(Unaudited but reviewed)

(Unit: Million Baht)

Separate financial statements

30 September 2018

	Loans to		Investments	Properties		Total
	Interbank and money market items	customers and accrued interest receivables		foreclosed	Other assets	
Normal	57,352	641,307	-	-	154	698,813
Special mention	-	27,739	-	-	112	27,851
Substandard	-	4,313	-	-	12	4,325
Doubtful	-	3,366	-	-	10	3,376
Doubtful of loss	-	7,606	1,058	287	288	9,239
Total	57,352	684,331	1,058	287	576	743,604

(Unit: Million Baht)

Separate financial statements

31 December 2017

	Loans to		Investments	Properties		Total
	Interbank and money market items	customers and accrued interest receivables		foreclosed	Other assets	
Normal	78,874	625,455	-	-	187	704,516
Special mention	-	26,224	-	-	116	26,340
Substandard	-	5,699	-	-	11	5,710
Doubtful	-	2,616	-	-	9	2,625
Doubtful of loss	-	6,100	304	316	291	7,011
Total	78,874	666,094	304	316	614	746,202

**10. Other assets**

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Accrued premium insurance income	308	275	-	-
Other receivables	1,801	1,397	1,355	981
Accrued interest and dividend income receivables	598	651	529	626
VAT refundable	734	690	452	521
Prepaid leasehold rights	95	107	95	107
Other receivables - VAT paid in advance				
for customers	256	248	197	197
Deposits	245	246	249	249
Estimated insurance claims recoveries	254	248	-	-
Receivable from clearing house	466	343	-	-
Prepaid expenses	499	438	151	137
Deposits from derivative contracts	334	525	334	525
Reinsurance assets	550	405	-	-
Others	1,675	2,058	1,258	1,719
<b>Total</b>	<b>7,815</b>	<b>7,631</b>	<b>4,620</b>	<b>5,062</b>
Less: Allowance for impairment	(393)	(390)	(321)	(323)
<b>Other assets - net</b>	<b>7,422</b>	<b>7,241</b>	<b>4,299</b>	<b>4,739</b>

**11. Interbank and money market items (liabilities)**

As at 30 September 2018, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 2,390 million, consisting of (i) a loan of Baht 200 million, repayable in full within 3 years from the date of the loan drawdown, and carrying interest at a fixed rate per annum, payable quarterly, and (ii) a loan of Baht 2,190 million in the form of promissory notes, repayable at the date as specified in each promissory note, and carrying interest at fixed rates per annum, payable monthly. In addition, the subsidiary has to comply with the terms and conditions specified in the loan agreements, such as maintenance of a debt to equity ratio (31 December 2017: included loans of a subsidiary company amounting to Baht 2,550 million).

(Unaudited but reviewed)

**12. Debt issued and borrowings**

As at 30 September 2018 and 31 December 2017, the balance of domestic debt issued and borrowings, stated in Baht, are as follows:

(Unit: Million Baht)											
Instrument	Type of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated financial statements		Separate financial statements	
						30 September	31 December	30 September	31 December	30 September	31 December
						2018	2017	2018	2017	2018	2017
				(Percent per annum)	(Baht)	(Thousand units)	(Thousand units)				
1	Subordinated instruments issued under Tier II	Year 2014	Year 2024	6.00	1,000	13,000	13,000	12,930	13,000	13,000	13,000
2	Subordinated instruments issued under Tier II	Year 2015	Year 2025	4.65	1,000	7,000	7,000	7,000	7,000	7,000	7,000
3	Unsubordinated debentures	Year 2014	Year 2018	4.75	1,000	-	2,000	-	2,000	-	-
4	Unsubordinated debentures	Year 2015	Year 2018	3.00	1,000	300	1,100	300	1,100	-	-
5	Unsubordinated debentures	Year 2016	Year 2019	2.70, 2.88	1,000	1,700	1,700	1,400	1,400	-	-
6	Unsubordinated debentures	Year 2016	Year 2019	2.95, 3.00	1,000	1,735	1,735	1,735	1,735	-	-
7	Unsubordinated debentures	Year 2017	Year 2019	2.52	1,000	2,000	2,000	2,000	2,000	-	-
8	Unsubordinated debentures	Year 2017	Year 2020	2.39 - 2.88	1,000	10,060	10,060	10,010	9,979	-	-
9	Unsubordinated debentures	Year 2017	Year 2020	2.58	1,000	70	70	70	70	-	-
10	Unsubordinated debentures	Year 2018	Year 2020	2.28 - 2.70	1,000	3,765	-	3,715	-	-	-
11	Unsubordinated debentures	Year 2018	Year 2021	2.31, 2.70	1,000	1,870	-	1,870	-	-	-
12	Unsubordinated debentures	Year 2018	Year 2021	2.30, 2.50	1,000	1,110	-	1,110	-	-	-
13	Structured notes		Year 2018	1.00				379	393	-	-
14	Promissory notes		At call	0.20 - 2.50				411	392	5	5
15	Promissory notes		Year 2019 - 2021	2.90, 3.30				289	239	-	-
<b>Total debt issued and borrowings</b>								<b>43,219</b>	<b>39,308</b>	<b>20,005</b>	<b>20,005</b>

Instruments 1) and 2) are name-registered, Tier II capital, subordinated, unsecured instruments with no instrument holder's representative, paying interest quarterly. The instruments will be fully converted to ordinary shares of the Bank in the event that a Point of Non-Viability is triggered requiring financial assistance from the regulators. The Bank has a call option to early redeem these instruments at par if the conditions specified are met.

Instruments 3) are name-registered, unsubordinated, unsecured debentures with debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

Instruments 4) - 5) and 7) - 8) and 10) - 11) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest semi-annually. The subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

Instruments 6) and 9) and 12) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

### 13. Provisions

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Loss from litigation	616	361	616	361
Employee benefits payable	2,694	2,699	2,414	2,430
Obligations from off-balance items	152	167	152	167
Others	378	411	378	411
<b>Total</b>	<b>3,840</b>	<b>3,638</b>	<b>3,560</b>	<b>3,369</b>



**14. Insurance contract liabilities**

(Unit: Million Baht)

	30 September 2018			31 December 2017		
	Insurance contract liabilities		Reinsurance assets	Insurance contract liabilities		Reinsurance assets
	liabilities	Net		liabilities	Net	
Loss reserves and outstanding claims	1,559	(134)	1,425	1,684	(132)	1,552
Premium reserves	3,903	(416)	3,487	3,791	(273)	3,518
<b>Total</b>	<b>5,462</b>	<b>(550)</b>	<b>4,912</b>	<b>5,475</b>	<b>(405)</b>	<b>5,070</b>

**15. Other liabilities**

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	Other payables	1,835	1,837	1,411
Suspense cash received from account receivables	1,653	1,959	1,453	1,857
Insurance premium payable	302	303	160	261
Income received in advance	1,765	1,830	1,737	1,795
Corporate income tax payable	636	390	414	-
Others	3,352	3,964	1,163	836
<b>Total other liabilities</b>	<b>9,543</b>	<b>10,283</b>	<b>6,338</b>	<b>6,360</b>

**16. Other components of equity**

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
<b>Surplus from business combination under common control</b>	(123)	(123)	-	-
<b>Surplus on revaluation of assets</b>	1,519	1,544	1,516	1,540
Less: The effect of deferred tax liabilities	(304)	(309)	(303)	(308)
<b>Net surplus on revaluation of assets</b>	1,215	1,235	1,213	1,232
<b>Revaluation surplus (deficit) on investments</b>				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	61	603	69	576
Equity instruments	847	871	158	174
Total	908	1,474	227	750
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(805)	(112)	(792)	(109)
Equity instruments	(362)	(303)	(220)	(180)
Total	(1,167)	(415)	(1,012)	(289)
<b>Total revaluation surplus (deficit) on investments</b>	(259)	1,059	(785)	461
Add (less): The effect of deferred tax liabilities	67	(197)	157	(92)
<b>Net revaluation surplus (deficit) on investments</b>	(192)	862	(628)	369
<b>Share of other comprehensive income of the associate</b>	501	590	-	-
Less: The effect of deferred tax liabilities	(50)	(59)	-	-
<b>Net share of other comprehensive income of the associate</b>	451	531	-	-
<b>Share of surplus from the change in the ownership interests in subsidiaries of the associate</b>	40	41	-	-
Less: The effect of deferred tax liabilities	(4)	(4)	-	-
<b>Net share of surplus from the change in the ownership interests in subsidiaries of the associate</b>	36	37	-	-
<b>Total</b>	1,387	2,542	585	1,601

## 17. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551.

As at 30 September 2018 and 31 December 2017, capital funds of the Bank calculated in accordance with the BOT's regulation regarding "Elements of Capital Funds for Commercial Bank Incorporate in Thailand", consist of the following:

	(Unit: Million Baht)	
	30 September 2018	31 December 2017
<b><u>Tier I capital</u></b>		
<b>Common Equity Tier I capital</b>		
Issued and fully paid-up share capital	60,649	60,649
Share premium	2,101	2,101
Statutory reserve	4,603	3,936
Retained earnings - unappropriated	56,092	49,600
Other components of equity - Revaluation surplus on land - net	1,142	1,164
Other components of equity - Revaluation deficit on investments in equity securities - net	(49)	(5)
Other components of equity - Revaluation surplus (deficit) on investments in debt securities - net	(579)	299
	<u>123,959</u>	<u>117,744</u>
Less: goodwill	(17,941)	(17,941)
Less: intangible assets	(1,684)	(1,594)
Total Common Equity Tier I capital	<u>104,334</u>	<u>98,209</u>
Total Tier I capital	<u>104,334</u>	<u>98,209</u>
<b><u>Tier II capital</u></b>		
Reserve for assets classified as normal	7,509	7,318
Subordinated debentures	19,930	20,000
Total Tier II capital	<u>27,439</u>	<u>27,318</u>
Total capital funds	<u>131,773</u>	<u>125,527</u>

On 23 August 2018, the Board of Directors of the Bank passed a resolution to allocate amounting Baht 345 million of net income for the six-month period ended 30 June 2018 to statutory reserve. The remaining net income of Baht 3,465 million was allocated as capital funds of the Bank.

As at 30 September 2018 and 31 December 2017, the capital adequacy ratios of the Bank calculated in accordance with the BOT's regulation regarding the calculation of capital funds, dated 8 November 2012, are as follows:

	30 September 2018		31 December 2017	
	Capital ratio of the Bank	Minimum requirement by BOT	Capital ratio of the Bank	Minimum requirement by BOT
Total capital to risk-weighted assets (percent)	19.32	10.375	18.94	9.75
Total Common Equity Tier I to risk-weighted assets (percent)	15.30	6.375	14.81	5.75
Total Tier I to risk-weighted assets (percent)	15.30	7.875	14.81	7.25

The Bank disclosed qualitative and quantitative information regarding capital maintenance as at 30 June 2018 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.thanachartbank.co.th](http://www.thanachartbank.co.th), since October 2018.

In addition, the Bank disclosed the maintaining Liquidity Coverage Ratio as at 30 June 2018 in accordance with the Notification of the Bank of Thailand No. Sor Nor Sor. 2/2018, dated 25 January 2018, Re: Public Disclosure of Liquidity Coverage Ratio on its website at [www.thanachartbank.co.th](http://www.thanachartbank.co.th), since October 2018.

## 18. Dividends

During the nine-month periods ended 30 September 2018 and 2017, the Bank has dividends payments as follows:

Dividends	Approved by	Dividends paid	Dividend per share
		Million Baht	Baht
Interim dividends on net income for the first half of the year 2018	The Board of Directors of the Bank on 23 August 2018	3,093	0.51
Dividends on net income for the year 2017	Annual General Meeting of the Shareholders on 25 April 2018	3,154	0.52
Total		6,247	
Interim dividends on net income for the first half of the year 2017	The Board of Directors of the Bank on 17 August 2017	2,426	0.40
Dividends on net income for the year 2016	Annual General Meeting of the Shareholders on 5 April 2017	2,426	0.40
Total		4,852	

**19. Interest income**

Interest income for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interbank and money market items	458	424	455	428
Investments and trading transactions	39	9	39	9
Investments in debt securities	636	766	605	735
Loans to customers	4,425	4,620	4,350	4,544
Hire purchase and financial lease	6,119	5,589	5,342	4,919
<b>Total interest income</b>	<b>11,677</b>	<b>11,408</b>	<b>10,791</b>	<b>10,635</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interbank and money market items	1,371	939	1,372	950
Investments and trading transactions	72	20	72	21
Investments in debt securities	1,937	2,457	1,847	2,375
Loans to customers	13,130	13,395	12,901	13,130
Hire purchase and financial lease	17,900	16,374	15,653	14,416
<b>Total interest income</b>	<b>34,410</b>	<b>33,185</b>	<b>31,845</b>	<b>30,892</b>

**20. Interest expenses**

Interest expenses for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deposits	2,258	2,251	2,262	2,253
Interbank and money market items	276	221	219	173
Contribution fee to FIDF and the Deposit Protection Agency	869	851	869	851
Debts issued and borrowings				
- Subordinated debentures	-	68	-	68
- Unsubordinated debentures and short-term debentures	147	159	-	2
- Subordinated instruments	278	279	278	279
- Others	4	5	-	-
Borrowings cost	3	2	-	-
<b>Total interest expenses</b>	<b>3,835</b>	<b>3,836</b>	<b>3,628</b>	<b>3,626</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deposits	6,767	6,420	6,777	6,427
Interbank and money market items	717	593	548	450
Contribution fee to FIDF and the Deposit Protection Agency	2,601	2,485	2,601	2,485
Debts issued and borrowings				
- Subordinated debentures	-	360	-	360
- Unsubordinated debentures and short-term debentures	426	475	-	18
- Subordinated instruments	826	827	827	827
- Others	11	14	-	-
Borrowings cost	7	5	-	-
<b>Total interest expenses</b>	<b>11,355</b>	<b>11,179</b>	<b>10,753</b>	<b>10,567</b>

**21. Fees and service income**

Fees and service income for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Fees and service income				
Acceptance, aval and guarantees	54	59	54	59
Brokerage fees from securities/derivatives	299	315	-	-
ATM and electronic banking services	230	220	230	220
Hire purchase fee income	405	388	366	349
Insurance brokerage fee income	450	445	574	519
Management fees	371	259	-	-
Credit card fees	295	262	296	262
Others	410	309	431	315
Total fees and service income	2,514	2,257	1,951	1,724
Fees and service expenses	(884)	(807)	(827)	(740)
Net fees and service income	1,630	1,450	1,124	984

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Fees and service income				
Acceptance, aval and guarantees	138	150	138	150
Brokerage fees from securities/derivatives	1,013	955	-	-
ATM and electronic banking services	666	666	666	666
Hire purchase fee income	1,197	1,154	1,084	1,041
Insurance brokerage fee income	1,377	1,353	1,704	1,553
Management fees	1,098	727	-	-
Credit card fees	855	754	856	755
Others	1,205	832	1,223	863
Total fees and service income	7,549	6,591	5,671	5,028
Fees and service expenses	(2,653)	(2,363)	(2,478)	(2,170)
Net fees and service income	4,896	4,228	3,193	2,858

**22. Gains on trading and foreign exchange transactions**

Gains (losses) on trading and foreign exchange transactions for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Foreign exchange and derivatives contract				
relating to foreign exchange	102	59	102	59
Derivatives contract relating to interest rate	(9)	27	(9)	27
Debt securities	(52)	19	(52)	19
Equity securities	101	94	-	-
Others	(89)	(94)	-	-
<b>Total</b>	<b>53</b>	<b>105</b>	<b>41</b>	<b>105</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Foreign exchange and derivatives contract				
relating to foreign exchange	264	200	264	200
Derivatives contract relating to interest rate	(17)	56	(17)	56
Debt securities	(48)	70	(48)	70
Equity securities	(219)	(37)	-	-
Others	283	87	-	-
<b>Total</b>	<b>263</b>	<b>376</b>	<b>199</b>	<b>326</b>



**23. Gains on investments**

Gains (losses) on investments for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Gains (losses) on disposal				
Available-for-sale securities	(609)	369	(608)	355
General investments	-	(6)	-	(6)
Reversal of losses on impairment				
General investments	-	10	-	10
<b>Total</b>	<b>(609)</b>	<b>373</b>	<b>(608)</b>	<b>359</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Gains (losses) on disposal				
Available-for-sale securities	(148)	652	(179)	621
General investments	-	(56)	-	(56)
Investment in an associated company	16	-	15	-
Reversal of losses on impairment				
General investments	2	65	2	65
Gains on capital refund				
General investments	22	-	22	-
<b>Total</b>	<b>(108)</b>	<b>661</b>	<b>(140)</b>	<b>630</b>

**24. Impairment losses of loans and debt securities**

Impairment losses of loans and debt securities for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Impairment losses of loans (reversal)				
Loans to customers	1,187	1,703	1,151	1,603
Interbank and money market items	47	(1)	51	3
<b>Total</b>	<b>1,234</b>	<b>1,702</b>	<b>1,202</b>	<b>1,606</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Impairment losses of loans (reversal)				
Loans to customers	4,098	3,961	3,866	3,668
Interbank and money market items	(33)	( 37)	(27)	(25)
Amortisation of revaluation allowance for debts restructured during the period	-	(1)	-	(1)
<b>Total</b>	<b>4,065</b>	<b>3,923</b>	<b>3,839</b>	<b>3,642</b>

**25. Income tax**

Income tax expenses for the three-month and nine-month periods ended 30 September 2018 and 2017 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Current income tax:</b>				
Interim corporate income tax	742	208	476	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	173	33	173	7
<b>Income tax expenses reported in statements of comprehensive income</b>	<b>915</b>	<b>241</b>	<b>649</b>	<b>7</b>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Current income tax:</b>				
Interim corporate income tax	1,589	617	779	-
Adjustment in respect of income tax from previous year	10	4	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	40	95	49	64
<b>Income tax expenses reported in statements of comprehensive income</b>	<b>1,639</b>	<b>716</b>	<b>828</b>	<b>64</b>

The amounts of income tax relating to each component of other comprehensive income for the three-month and nine-month periods ended 30 September 2018 and 2017 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax relating to gains on changes in value of available-for-sale investments	24	71	4	56
Deferred tax relating to share of other comprehensive income of the associate	(13)	(2)	-	-
	<u>11</u>	<u>69</u>	<u>4</u>	<u>56</u>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax relating to gains (losses) on changes in value of available-for-sale investments	(263)	250	(249)	209
Deferred tax relating to actuarial gain on defined benefit plan	-	1	-	-
Deferred tax relating to share of other comprehensive income of the associate	(9)	8	-	-
	<u>(272)</u>	<u>259</u>	<u>(249)</u>	<u>209</u>

**26. Components of other comprehensive income**

Components of other comprehensive income for the three-month and nine-month periods ended 30 September 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Other comprehensive income</b>				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale securities:				
Unrealised gains (losses) during the period	(490)	725	(587)	637
Less: Reclassification of adjustment for the realised gains that included in profit or loss	609	(369)	608	(355)
	119	356	21	282
Share of other comprehensive income of the associate (loss)	(125)	(22)	-	-
Other comprehensive income for the period (loss)	(6)	334	21	282
Impact from related income tax				
Income tax - gains on changes in value of available-for-sale securities	(24)	(71)	(4)	(56)
Income tax - share of other comprehensive income of associate	13	2	-	-
Impact from related income tax	(11)	(69)	(4)	(56)
Other comprehensive income for the period - net of related income tax (loss)	(17)	265	17	226

(Unaudited but reviewed)

(Unit: Million Baht)

For the nine-month periods ended 30 September

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Other comprehensive income</b>				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale securities:				
Unrealised gains (losses) during the period	(1,466)	1,904	(1,425)	1,668
Less: Reclassification of adjustment for the realised gains that included in profit or loss	148	(652)	179	(621)
	(1,318)	1,252	(1,246)	1,047
Share of other comprehensive income of associate (loss)	(87)	77	-	-
Other comprehensive income for the period (loss)	(1,405)	1,329	(1,246)	1,047
Impact from related income tax				
Income tax - (gains) losses on changes in value of available-for-sale securities	263	(250)	249	(209)
Income tax - share of other comprehensive income of the associate	9	(8)	-	-
Impact from related income tax	272	(258)	249	(209)
	(1,133)	1,071	(997)	838
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Actuarial gain on defined benefit plan	-	3	-	-
Other comprehensive income for the period	-	3	-	-
Impact from related income tax				
Income tax - actuarial gain on defined benefit plan	-	(1)	-	-
Impact from related income tax	-	(1)	-	-
	-	2	-	-
Other comprehensive income for the period - net of related income tax (loss)	(1,133)	1,073	(997)	838

**27. Earnings per share**

Basic earnings per share is calculated by dividing profit for the periods attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares issued during the periods.

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Profit for the period (Million Baht)	3,540	3,533	2,896	2,928
Earnings per share (Baht/share)	0.58	0.58	0.48	0.48
Weighted average number of ordinary shares (Million shares)	6,065	6,065	6,065	6,065

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Profit for the period (Million Baht)	11,140	10,136	9,799	9,610
Earnings per share (Baht/share)	1.84	1.67	1.62	1.58
Weighted average number of ordinary shares (Million shares)	6,065	6,065	6,065	6,065

**28. Related party transactions**

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

(Unit: Million Baht)

	For the three-month periods ended 30 September				Transfer pricing policy (For the period 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
<b><u>Transactions occurred during the periods</u></b>					
<b>Parent company</b>					
Purchase of debt securities	363	266	363	266	At market price
Sales of debt securities	289	-	289	-	At market price
Income on supporting service	1	2	1	2	At the rate agreed under the service contract
Interest expenses	1	-	1	-	At interest rate of 0.40 - 1.25 percent per annum
Rental expenses	1	1	1	1	At the rate agreed under the rental contract
Other expenses	10	10	10	10	
Dividend payment	1,576	1,236	1,576	1,236	As declared
<b>Subsidiary companies</b>					
Purchase of debt securities	-	-	1,089	1,379	At market price
Sales of debt securities	-	-	699	765	At market price
(Related loss)	-	-	1	-	
Purchase/sales of forward exchange contracts	-	-	2	-	At market price
Interest income	-	-	59	48	At interest rate of 1.70 - 2.20 percent per annum
Dividend income	-	-	256	195	As declared
Fees and service income	-	-	327	290	At the rate agreed under the service contract
Income on supporting service	-	-	49	66	At the rate agreed under the service contract
Other income	-	-	8	5	
Interest expenses	-	-	21	22	At interest rate of 0.13 - 1.55 percent per annum
Fees and service expenses	-	-	18	-	At the rate agreed under the service contract
Other expenses	-	-	49	48	



(Unaudited but reviewed)

(Unit: Million Baht)

	For the three-month periods ended 30 September				Transfer pricing policy (For the period 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
<b>Transactions occurred during the periods (continued)</b>					
<b>Associated company</b>					
Dividend income	-	-	21	25	As declared
Rental expenses	22	27	15	20	At the rate agreed under the rental contract
Other expenses	-	1	-	-	
<b>Related companies</b>					
Purchase of debt securities	681	2,432	681	2,432	At market price
Sales of debt securities	1,521	2,127	1,521	2,127	At market price
(Related gain)	-	1	-	1	
Purchase/sales of forward exchange contracts	1,093	10,933	1,091	10,933	At market price
Interest income	57	58	57	58	At interest rate of 1.76 - 4.70, 6.08, 6.65 and 7.43 percent per annum
Fees and service income	1	1	1	1	At the rate agreed under the service contract
Income on supporting service	1	1	1	1	At the rate agreed under the service contract
Other income	-	1	-	-	
Interest expenses	93	59	93	59	At interest rate of 0.13 - 2.52 percent per annum
Rental expenses	39	56	20	37	At the rate agreed under the rental contract
Insurance expenses	6	-	-	-	At the rate agreed under the service contract
Other expenses	10	10	7	6	
Dividend payment	1,516	1,189	1,516	1,189	As declared

(Unaudited but reviewed)

(Unit: Million Baht)

	For the nine-month periods ended 30 September				Transfer pricing policy (For the period 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
<b>Transactions occurred during the periods</b>					
<b>Parent company</b>					
Purchase of debt securities	957	266	957	266	At market price
Sales of debt securities	375	200	375	200	At market price
Income on supporting service	4	5	4	5	At the rate agreed under the service contract
Other income	1	1	-	-	
Interest expenses	1	-	1	-	At interest rate of 0.40 - 1.25 percent per annum
Rental expenses	4	4	4	4	At the rate agreed under the rental contract
Other expenses	29	29	29	29	
Dividend payment	3,183	2,473	3,183	2,473	As declared
<b>Subsidiary companies</b>					
Purchase of debt securities	-	-	2,620	4,244	At market price
Sales of debt securities	-	-	3,143	5,749	At market price
(Related gain (loss))	-	-	(1)	1	
Purchase/sales of forward exchange contracts	-	-	3	8	At market price
Interest income	-	-	179	148	At interest rate of 1.70 - 2.40 percent per annum
Dividend income	-	-	1,372	1,720	As declared
Fees and service income	-	-	992	787	At the rate agreed under the service contract
Income on supporting service	-	-	147	195	At the rate agreed under the service contract
Other income	-	-	17	14	
Interest expenses	-	-	62	67	At interest rate 0.13 - 1.55 percent per annum
Fees and service expenses	-	-	52	-	At the rate agreed under the service contract
Other expenses	-	-	133	136	

(Unaudited but reviewed)

(Unit: Million Baht)

	For the nine-month periods ended 30 September				Transfer pricing policy (For the period 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
<b>Transactions occurred during the periods (continued)</b>					
<b>Associated company</b>					
Dividend income	-	-	43	51	As declared
Other income	-	1	-	-	
Rental expenses	66	82	45	61	At the rate agreed under the rental contract
Other expenses	3	3	1	1	
<b>Related companies</b>					
Purchase of debt securities	5,168	7,866	5,168	7,866	At market price
Sales of debt securities	4,629	8,679	4,629	8,679	At market price
(Related gain)	-	2	-	2	
Purchase/sales of forward exchange contracts	20,130	49,053	20,128	49,045	At market price
Interest income	161	169	161	169	At interest rate of 1.30 - 4.70 and 6.08 - 7.65 percent per annum
Dividend income	30	27	18	16	As declared
Fees and service income	2	3	2	2	At the rate agreed under the service contract
Income on supporting service	4	4	4	4	At the rate agreed under the service contract
Other income	2	2	-	-	
Interest expenses	252	165	252	165	At interest rate of 0.13 - 2.52 percent per annum
Rental expenses	117	141	60	87	At the rate agreed under the rental contract
Insurance expenses	13	4	-	-	At the rate agreed under the service contract
Other expenses	31	33	21	22	
Dividend payment	3,061	2,377	3,061	2,377	As declared

The outstanding balances of the above transactions during the nine-month periods ended 30 September 2018 and 2017 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b><u>Parent company</u></b>				
Deposits	344	155	344	155
<b><u>Subsidiary companies</u></b>				
Interbank and money market items (assets)	-	-	3,272	2,826
Loans to customers	-	-	1,629	1,311
Deposits	-	-	1,572	1,280
Interbank and money market items (liabilities)	-	-	266	274
<b><u>Associated company</u></b>				
Deposits	102	84	102	84
<b><u>Related companies</u></b>				
Interbank and money market items (assets)	81	215	81	215
Loans to customers	5,835	6,785	5,596	6,344
Deposits	2,049	1,596	2,049	1,596
Interbank and money market items (liabilities)	13,025	13,932	13,025	13,932
Debt issued and borrowings	456	470	456	470

As at 30 September 2018 and 31 December 2017, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements									
30 September 2018									
Assets				Liabilities					
Interbank and money market items	Loans to customers and interest receivables		Other assets	Deposits	Interbank and money market items	Debt issued and borrowings		Other liabilities	Commitments
	Investments - debt securities	and interest receivables				and	liabilities		
<b>Parent company</b>									
Thanachart Capital Plc.	-	-	1	3,137	-	-	-	-	
<b>Associated company</b>									
MBK Plc.	-	-	88	50	-	-	2	-	
<b>Related companies</b>									
Other related companies	16	5,135	315	1,532	13,088	400	315	1,374	
	<u>16</u>	<u>5,135</u>	<u>404</u>	<u>4,719</u>	<u>13,088</u>	<u>400</u>	<u>317</u>	<u>1,374</u>	

(Unit: Million Baht)

Consolidated financial statements										
31 December 2017										
Assets				Liabilities						
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables		Other assets	Deposits	Interbank and money market items	Debt issued and borrowings		Other liabilities	Commitments
		and interest receivables	and interest receivables				and	liabilities		
<b>Parent company</b>										
Thanachart Capital Plc.	-	-	-	1	24	-	-	-	-	
<b>Associated company</b>										
MBK Plc.	-	-	-	26	56	-	-	2	-	
<b>Related companies</b>										
Other related companies	301	591	5,838	41	1,674	13,220	470	94	698	
	<u>301</u>	<u>591</u>	<u>5,838</u>	<u>68</u>	<u>1,754</u>	<u>13,220</u>	<u>470</u>	<u>96</u>	<u>698</u>	

(Unit: Million Baht)

Separate financial statements								
30 September 2018								
Assets				Liabilities				
Loans to								
Interbank and money market items	customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
<b>Parent company</b>								
Thanachart Capital Plc.	-	-	1	3,137	-	-	-	-
<b>Subsidiary companies</b>								
Thanachart Group Leasing Co., Ltd.	-	-	-	338	-	-	1	-
Thanachart Securities Plc.	3,300	-	1	-	84	-	4	32
Thanachart Insurance Plc.	-	-	43	113	-	70	106	50
Thanachart Broker Co., Ltd.	-	-	5	211	-	-	-	-
TS Asset Management Co., Ltd.	-	-	-	797	-	-	1	-
Ratchthani Leasing Plc.	-	1,971	-	116	-	-	-	30
Other subsidiary companies	-	-	92	101	38	-	23	-
<b>Associated company</b>								
MBK Plc.	-	-	40	50	-	-	1	-
<b>Related companies</b>								
Other related companies	16	5,135	287	1,532	13,088	400	310	1,374
	3,316	7,106	469	6,395	13,210	470	446	1,486

(Unit: Million Baht)

Separate financial statements								
31 December 2017								
Assets				Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Parent company</b>								
Thanachart Capital Plc.	-	-	1	24	-	-	-	-
<b>Subsidiary companies</b>								
Thanachart Group Leasing Co., Ltd.	-	-	-	335	-	-	1	-
Thanachart Securities Plc.	2,720	-	9	-	311	-	4	500
Thanachart Insurance Plc.	-	-	96	155	-	-	138	50
Thanachart Broker Co., Ltd.	-	-	17	216	-	-	-	-
TS Asset Management Co., Ltd.	-	-	-	586	-	-	1	-
Ratchthani Leasing Plc.	-	31	1,570	134	-	-	-	30
Other subsidiary companies	-	-	82	118	54	-	10	-
<b>Associated company</b>								
MBK Plc.	-	-	18	56	-	-	1	-
<b>Related companies</b>								
Other related companies	301	591	5,497	20	1,674	13,220	470	66
	3,021	622	7,067	243	3,298	13,585	470	221
								698
								1,278

As at 30 September 2018, the Bank has loans to Ratchthani Leasing Plc. amounting to Baht 1,970 million, carrying interest at rates of 1.85 percent per annum (31 December 2017: loans to Ratchthani Leasing Plc. amounting to Baht 1,570 million at interest rate of 1.85 percent per annum).

As at 30 September 2018, the Bank and its subsidiaries have investments amounting to approximately Baht 929 million (Baht 380 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2017: Baht 947 million in the consolidated financial statements, and Baht 383 million in the separate financial statements).

As at 30 September 2018 and 31 December 2017, the Bank and its subsidiaries have the following related parties transactions with executive employees of the Bank and companies within Thanachart Group from management level up, including related persons who together with these employees:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
Loans to customers	69	88	62	79
Deposits	1,364	1,527	1,364	1,527

Directors and management's remuneration

During the three-month and nine-month periods ended 30 September 2018 and 2017, the Bank and its subsidiaries recorded the following benefits to their key management personnel, including directors, totaling 108 persons and 115 persons, respectively (the separate financial statements: 41 persons and 44 persons, respectively):

(Unit: Million Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	127	122	68	63
Post-employment benefits	4	4	2	2
	<u>131</u>	<u>126</u>	<u>70</u>	<u>65</u>

(Unit: Million Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	416	416	232	237
Post-employment benefits	12	12	6	6
	<u>428</u>	<u>428</u>	<u>238</u>	<u>243</u>



## 29. Financial information classified by operating segments

The Bank and its subsidiaries are organised into business units based on its products and services. The Bank is organised into business units based on the Bank's organisation structure, which is determined based on the Bank's management policies. During the current period, the Bank and its subsidiaries have not changed the organisation of their reportable segments.

Financial information of the Bank and its subsidiaries presented by segment is as follows:

(Unit: Million Baht)

	For the three-month period ended 30 September 2018							Eliminations	Consolidated
	Banking business			Securities					
	Retail	Corporate and SME	Treasury & Investment and others	and fund management business	Non-life insurance business	Asset management business	Other businesses		
Net interest income	6,135	979	49	53	53	16	599	(42)	7,842
Net insurance income	-	-	-	-	491	-	-	253	744
Other operating income	1,210	231	(171)	619	36	10	267	(532)	1,670
Other operating expenses	(3,586)	(378)	278	(303)	(260)	(14)	(228)	118	(4,373)
Impairment losses of loans and debt securities	(1,442)	(74)	314	-	-	8	(71)	31	(1,234)
Profit before income tax	2,317	758	470	369	320	20	567	(172)	4,649
Income tax	(463)	(152)	(34)	(71)	(64)	(12)	(109)	(10)	(915)
Profit before non-controlling interest	1,854	606	436	298	256	8	458	(182)	3,734

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month period ended 30 September 2017

	Banking business			Securities			Eliminations	Consolidated	
	Retail	Corporate and SME	Treasury & Investment and others	and fund management business	Non-life insurance business	Asset management business			Other businesses
Net interest income	5,733	1,222	54	43	46	27	478	(31)	7,572
Net insurance income	-	-	-	-	560	-	-	252	812
Other operating income	1,125	158	730	573	48	10	257	(525)	2,376
Other operating expenses	(3,722)	(375)	(384)	(319)	(239)	(16)	(221)	127	(5,149)
Impairment losses of loans and debt securities	(1,015)	(588)	(3)	-	-	6	(119)	17	(1,702)
Profit before income tax	2,121	417	397	297	415	27	395	(160)	3,909
Income tax	(424)	(83)	500	(56)	(83)	(14)	(78)	(3)	(241)
Profit before non-controlling interest	1,697	334	897	241	332	13	317	(163)	3,668

(Unaudited but reviewed)

(Unit: Million Baht)

For the nine-month period ended 30 September 2018

	Banking business			Securities				Eliminations	Consolidated
	Retail	Corporate and SME	Treasury & Investment and others	and fund management business	Non-life insurance business	Asset management business	Other businesses		
Net interest income	18,081	2,895	116	155	149	57	1,721	(119)	23,055
Net insurance income	-	-	-	-	1,463	-	-	717	2,180
Other operating income	3,668	633	1,756	2,009	134	32	822	(2,184)	6,870
Other operating expenses	(10,600)	(1,141)	(942)	(917)	(737)	(41)	(667)	331	(14,714)
Impairment losses of loans and debt securities	(3,469)	405	(775)	-	-	40	(302)	36	(4,065)
Profit before income tax	7,680	2,792	155	1,247	1,009	88	1,574	(1,219)	13,326
Income tax	(1,536)	(558)	1,266	(242)	(202)	(42)	(308)	(17)	(1,639)
Profit before non-controlling interest	6,144	2,234	1,421	1,005	807	46	1,266	(1,236)	11,687

(Unaudited but reviewed)

(Unit: Million Baht)

For the nine-month period ended 30 September 2017

	Banking business			Securities				Eliminations	Consolidated
	Retail	Corporate and SME	Treasury & Investment and others	and fund management business	Non-life insurance business	Asset management business	Other businesses		
Net interest income	16,841	3,305	179	126	138	128	1,372	(83)	22,006
Net insurance income	-	-	-	-	1,408	-	-	755	2,163
Other operating income	3,389	475	3,037	1,698	128	23	765	(2,633)	6,882
Other operating expenses	(11,064)	(1,135)	(1,711)	(949)	(693)	(49)	(655)	372	(15,884)
Impairment losses of loans and debt securities	(2,743)	(870)	(29)	-	-	8	(401)	112	(3,923)
Profit before income tax	6,423	1,775	1,476	875	981	110	1,081	(1,477)	11,244
Income tax	(1,285)	(355)	1,576	(168)	(193)	(50)	(213)	(28)	(716)
Profit before non-controlling interest	5,138	1,420	3,052	707	788	60	868	(1,505)	10,528

Assets for segment of the Bank and its subsidiaries as at 30 September 2018 and 31 December 2017 are as follows:

(Unit: Million Baht)

	Banking business			Securities				Eliminations	Consolidated
	Retail	Corporate and SME	Treasury & Investment and others	and fund management business	Non-life insurance business	Asset management businesses	Other businesses		
Assets for segment									
As at 30 September 2018	515,347	186,829	238,999	12,128	14,560	2,542	46,764	(15,189)	1,001,980
As at 31 December 2017	482,118	205,354	266,988	12,306	13,452	2,745	40,453	(13,859)	1,009,557

**30. Encumbrance of assets**

As at 30 September 2018 and 31 December 2017, the Bank and its subsidiaries have the assets, which are subject to restriction, presented at book value as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Interbank and money market items (assets)				
Guarantee placed with the registrar	750	770	-	-
Placed with court for stay of execution	2	3	-	-
Investments in securities				
Guarantee placed with the registrar	17	18	-	-
Placed with court for stay of execution	30	30	6	6
Properties foreclosed				
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	83	24	61	19
	<u>882</u>	<u>845</u>	<u>67</u>	<u>25</u>

**31. Commitments and contingent liabilities**

As at 30 September 2018 and 31 December 2017, significant commitments and contingent liabilities consisted of:

**31.1 Commitments**

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Aval to bills	158	115	158	115
Guarantees of loans	2,401	2,291	2,401	2,291
Liability under unmatured import bills	467	270	467	270
Letter of credits	1,327	1,045	1,327	1,045
Other obligations				
Committed (but not drawn) overdraft	23,246	23,832	23,246	23,832
Others	60,130	55,643	60,074	55,604
Total	<u>87,729</u>	<u>83,196</u>	<u>87,673</u>	<u>83,157</u>

In addition, the Bank and its subsidiaries have commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts, as mentioned in Note 3 to the financial statements.

**31.2** As at 30 September 2018, the Bank and its subsidiaries have commitments to pay the service fees in relation to properties foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term contracts, as follows:

(Unit: Million Baht)

Year	Consolidated		Separate		
	financial statements		financial statements		
	Other parties	Parent company	Other parties	Parent company	Subsidiary companies
2018	514	11	477	11	18
2019	1,608	12	1,509	12	-
2020 onward	2,571	6	2,285	5	-

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

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

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of FIDF to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from the Financial Institutions Development Fund (“FIDF”). As at 30 September 2018, outstanding obligations are summarised below.

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

As at 30 September 2018, the transferred assets which SAM is re-examining totaling Baht 29 million of transactions incurred by BMB. If losses arise, Thanachart Bank will receive compensation for those from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 29 million.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to Baht 452 million, as disclosed under contingent liabilities in Note 32 to the financial statements.
- d) Outstanding letters of guarantee

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in FIDF's account. This deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if actual losses are incurred due to the outstanding issues described in a), b), c) and d) above. As at 30 September 2018, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 407 million.

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

**32. Contingent liabilities/Litigation**

- a) As at 30 September 2018, the Bank and its subsidiaries have contingent liabilities amounting to approximately Baht 2,716 million (separate financial statements: Baht 2,523 million) in respect of litigation. However, the Bank and its subsidiaries' management have already made certain provisions for contingent losses, and for the remaining portion the management believes that no loss will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities for litigation mentioned above, amounting to Baht 452 million, relates to lawsuits involving the Bank as a result of the transfer of business from BMB to SCIB, and the Bank is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF.

- b) Furthermore, an organisation supervised by a government agency requested that the Bank pay compensation amounting to Baht 2,100 million, plus interest at 7.5 percent per annum. However, the management of the Bank is confident that no losses will be incurred.

**33. Letter of guarantees**

As at 30 September 2018, the Bank and its subsidiaries had letter of guarantees issued by banks on behalf of the Bank and its subsidiaries, amounting approximately Baht 29 million, placed for electricity usage of the branches (separate financial statements: Baht 29 million).

**34. Fair value of financial instruments**

As at 30 September 2018 and 31 December 2017, the Bank and its subsidiaries have the financial assets and financial liabilities that were measured at fair value which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 September 2018					
	Book value	Fair value				
	Total	Level 1	Level 2	Level 3		
Derivatives assets	2,566	2,566	-	2,566	-	
Investments	157,311	157,311	6,361	150,950	-	
Derivatives liabilities	2,503	2,503	6	2,497	-	



(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements				
	31 December 2017				
	Book	Fair value			
value	Total	Level 1	Level 2	Level 3	
Derivatives assets	2,518	2,518	-	2,518	-
Investments	163,434	163,434	4,916	158,518	-
Derivatives liabilities	2,511	2,511	-	2,511	-

(Unit: Million Baht)

	Separate financial statements				
	30 September 2018				
	Book	Fair value			
value	Total	Level 1	Level 2	Level 3	
Derivatives assets	2,563	2,563	-	2,563	-
Investments	146,825	146,825	1,709	145,116	-
Derivatives liabilities	2,496	2,496	-	2,496	-

(Unit: Million Baht)

	Separate financial statements				
	31 December 2017				
	Book	Fair value			
value	Total	Level 1	Level 2	Level 3	
Derivatives assets	2,517	2,517	-	2,517	-
Investments	153,328	153,328	1,290	152,038	-
Derivatives liabilities	2,508	2,508	-	2,508	-

#### Valuation techniques and inputs used for Level 2 fair value measurement

- The fair value of investments in debt securities has been determined by using the yield rates quoted by the Thai Bond Market Association or by other market.
- The fair value of derivatives, which there is no observable market price, is measured using a valuation technique that uses observable inputs, such as interest rates and foreign exchange rates from reliable sources and adjusted to reflect counterparty credit risk.

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

#### **35. Approval of interim financial statements**

These interim financial statements were authorised for issue by Audit Committee on 12 November 2018.