

# MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

(Audited Financial Statements)

**Thanachart Bank Public Company Limited**

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8451

Website: [www.thanachartbank.co.th](http://www.thanachartbank.co.th)

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## Thanachart Bank Public Company Limited and Its Subsidiaries

### Management Discussion and Analysis (Audited Financial Statements)

#### Economics Outlook and Banking Industry

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

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

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

#### Key Events in 2018

1. On 25 April 2018, the Annual General Meeting of Shareholders of 2018 issued a resolution to approve dividend payments for shareholders of Thanachart Bank Public Company Limited at 0.52 baht per share, equivalent to 3,154 million baht. Together with the interim dividend payment of 0.40 baht per share equivalent to 2,426 million baht, the dividend payment of the year 2017 totaled to 0.92 baht per share equivalent to 5,580 million baht, or 42.48 percent of 2017 net profit in the bank only financial statements and 40.40 percent of 2017 net profit in consolidated financial statements. Dividends were paid on 11 May 2018.
2. On 23 August 2018, The Board of Directors of Thanachart Bank Public Company Limited issued a resolution, No. 8/2018 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**

Unaudited Financial Statements	For the three-month period ended			For the year ended	
	31 Dec 18	30 Sep 18	31 Dec 17	31 Dec 18	31 Dec 17
<b>Operating Performance (Million Baht)</b>					
Interest Income	11,879	11,677	11,181	46,288	44,366
Interest Expenses	3,895	3,835	3,777	15,250	14,956
Net Interest Income	7,984	7,842	7,404	31,038	29,410
Non-interest Income	3,151	2,414	3,528	12,201	12,572
Net Operating Income <sup>(1)</sup>	11,135	10,256	10,932	43,239	41,982
Other Operating Expenses	5,812	4,373	4,554	20,525	20,437
Pre-Provision Operating Profit (PPOP)	5,323	5,883	6,378	22,714	21,545
Impairment Loss of Loans and Debt Securities	676	1,234	2,320	4,741	6,244
Profit before Tax	4,647	4,649	4,058	17,973	15,301
Income Tax	876	915	217	2,515	932
<b>Profit for the Period</b>	<b>3,771</b>	<b>3,734</b>	<b>3,841</b>	<b>15,458</b>	<b>14,369</b>
Other Comprehensive Income	71	(17)	(267)	(1,062)	806
<b>Total Comprehensive Income</b>	<b>3,842</b>	<b>3,717</b>	<b>3,574</b>	<b>14,396</b>	<b>15,175</b>
Total Attributable to:					
Net Profit	3,771	3,734	3,841	15,458	14,369
Non-Controlling Interests	208	194	167	755	559
<b>The Bank</b>	<b>3,563</b>	<b>3,540</b>	<b>3,674</b>	<b>14,703</b>	<b>13,810</b>
<b>Operating Performance Ratios (Percent)</b>					
ROAA	1.39	1.40	1.47	1.46	1.42
ROAE <sup>(2)</sup>	10.12	10.19	10.99	10.68	10.68
Interest Spread <sup>(3)</sup>	3.10	3.08	3.02	3.06	3.06
Loan Spread <sup>(4)</sup>	4.03	4.04	3.98	4.01	3.98
Credit Cost <sup>(4)</sup>	0.32	0.62	1.17	0.57	0.79
Non-interest Income Ratio <sup>(5)</sup>	28.30	23.54	32.27	28.22	29.95
Cost to Income Ratio <sup>(6)</sup>	52.20	42.64	41.66	47.47	48.68
<b>Financial Position (Million Baht)</b>					
Loans	753,498	735,960	711,675		
Total Assets	1,046,612	1,001,980	1,009,557		
Deposits and Debt Issued and Borrowings	795,240	743,605	755,586		
Total Liabilities	902,406	861,617	873,349		
Total Equity	144,206	140,363	136,208		
<b>Financial Position Quality (Consolidated)</b>					
Loans to Deposits and Debts Issued and Borrowings (Percent)	94.75	98.97	94.19		
Non-performing Loans (Million Baht)	19,329	19,090	18,108		
NPL Ratio (Percent)	2.30	2.42	2.30		
Reserve (Million Baht)	23,812	24,469	24,278		
Coverage Ratio <sup>(7)</sup> (Percent)	123.20	128.18	134.07		
Reserve to Required Reserve <sup>(8)</sup> (Percent)	154.90	160.61	172.91		
<b>Financial Position Quality (Bank Only)</b>					
Non-performing Loans (Million Baht)	15,905	15,281	14,412		
NPL Ratio (Percent)	2.02	2.06	1.94		
Reserve (Million Baht)	19,837	20,174	20,149		
Coverage Ratio <sup>(7)</sup> (Percent)	124.72	132.02	139.80		
Reserve to Required Reserve <sup>(8)</sup> (Percent)	165.07	174.16	191.59		
Capital Adequacy Ratio (Percent)	19.45	19.32	18.94		
Tier I Ratio (Percent)	15.42	15.30	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

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## Operating Results of 2018

### Operating Results 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 2018 the Bank and its subsidiaries' net profit grew for the fourth consecutive quarter and totaled at 14,703 million baht for the year, an increase of 893 million baht or 6.47 percent from the previous year.** Pre-provision operating profit grew as a result of the core business growth. Furthermore, the Bank continued to maintain asset quality, liquidity and capital adequacy consistently, illustrating strength in business operation and competitive edge.

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

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

**NPL ratio on consolidated financial statements ended at 2.30 percent** with coverage ratio at 123.20 percent. Reserve to required reserve as of 31 December 2018 was 154.90 percent.

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

## Summary of Key Operating Results

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

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

## Net Interest Income

	4Q18	3Q18	Change		2018	2017	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,879</b>	<b>11,677</b>	<b>202</b>	<b>1.73</b>	<b>46,288</b>	<b>44,366</b>	<b>1,922</b>	<b>4.33</b>
Interbank and Money Market Items	372	458	(86)	(18.78)	1,743	1,365	378	27.69
Investments for Tradings	37	39	(2)	(5.13)	108	25	83	332.00
Investments for Debts Securities	695	636	59	9.28	2,631	3,143	(512)	(16.29)
Loans	4,420	4,425	(5)	(0.11)	17,551	17,759	(208)	(1.17)
Hire Purchase and Financial Leases	6,355	6,119	236	3.86	24,255	22,074	2,181	9.88
<b>Interest Expenses</b>	<b>3,895</b>	<b>3,835</b>	<b>60</b>	<b>1.56</b>	<b>15,250</b>	<b>14,956</b>	<b>294</b>	<b>1.97</b>
Deposits	2,304	2,258	46	2.04	9,071	8,699	372	4.28
Interbank and Money Market Items	280	276	4	1.45	997	792	205	25.88
Fund Contributed to FIDF and DPA	881	869	12	1.38	3,482	3,348	134	4.00
Debts Issued	427	429	(2)	(0.47)	1,690	2,110	(420)	(19.91)
Borrowing Fee	3	3	-	-	10	7	3	42.86
<b>Net Interest Income</b>	<b>7,984</b>	<b>7,842</b>	<b>142</b>	<b>1.81</b>	<b>31,038</b>	<b>29,410</b>	<b>1,628</b>	<b>5.54</b>

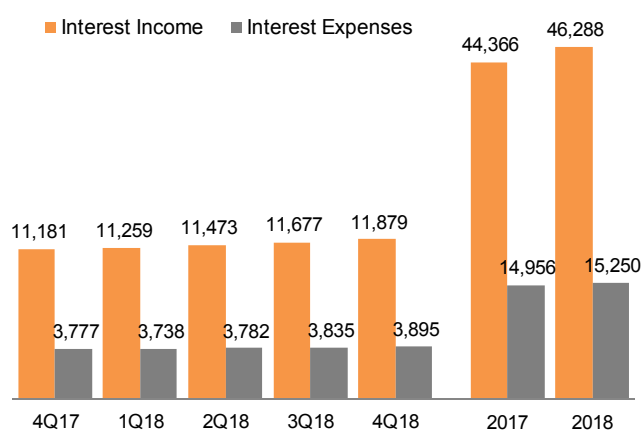
In 2018, the Bank and its subsidiaries' net interest income totaled 31,038 million baht, an increase of 1,628 million baht or 5.54 percent from last year.

- Interest income totaled 46,288 million baht, an increase of 1,922 million baht or 4.33 percent from growing loan volume, especially hire purchase loan that grew 13.44 percent from the previous year.
- Interest expense totaled 15,250 million baht, an increase of 294 million baht or 1.97 percent mainly from cost of fund management following liquidity strategy.

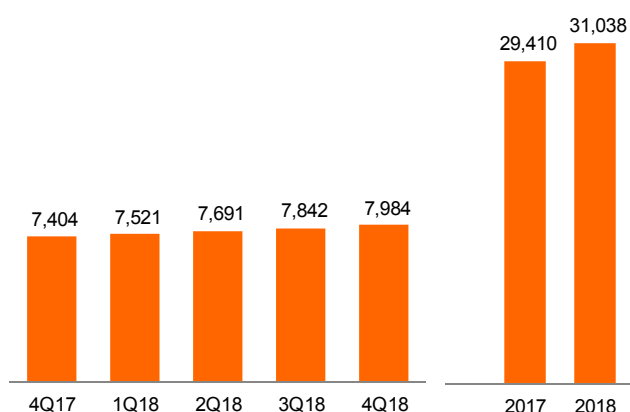
Consequently, interest spread in 2018 was at 3.06 percent, maintained from the previous year. The details are shown in the table below.

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

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



## Non-interest Income

Non-interest Income								
	4Q18	3Q18	Change		2018	2017	Change	
			+ / (-)	%			+ / (-)	%
<b>Net Fees and Service Income*</b>	<b>1,732</b>	<b>1,630</b>	<b>102</b>	<b>6.26</b>	<b>6,627</b>	<b>5,897</b>	<b>730</b>	<b>12.38</b>
Gains on Trading and F/X Transactions	94	53	41	77.36	357	548	(191)	(34.85)
Gains on Investments	24	(608)	632	(103.95)	(85)	1,113	(1,198)	(107.64)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	92	105	(13)	(12.38)	299	200	99	49.50
Net Insurance Income	757	744	13	1.75	2,937	2,928	9	0.31
Dividend Income	38	77	(39)	(50.65)	411	464	(53)	(11.42)
Other Income	414	413	1	0.24	1,655	1,422	233	16.39
<b>Operating Income</b>	<b>1,419</b>	<b>784</b>	<b>635</b>	<b>80.99</b>	<b>5,574</b>	<b>6,675</b>	<b>(1,101)</b>	<b>(16.49)</b>
<b>Non-interest Income</b>	<b>3,151</b>	<b>2,414</b>	<b>737</b>	<b>30.53</b>	<b>12,201</b>	<b>12,572</b>	<b>(371)</b>	<b>(2.95)</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

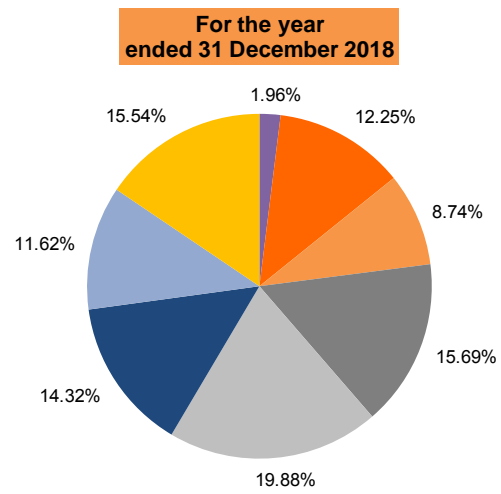
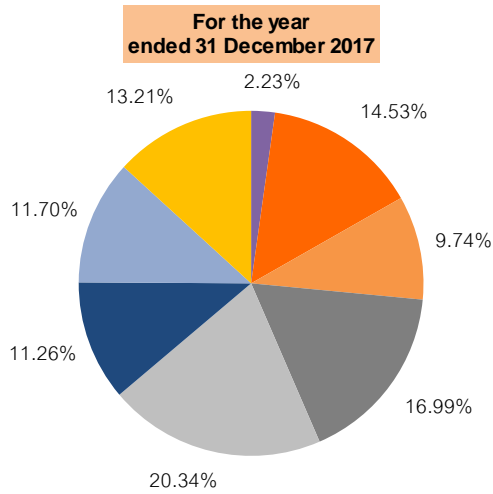
**Non-interest income of the Bank and its subsidiaries totaled 12,201 million baht in 2018, a decrease of 371 million baht or 2.95 percent** from last year. This was mainly due to a decrease in gain on investments.

- Net fees and service income was in the amount of 6,627 million baht, an increase of 730 million baht or 12.38 percent, mainly from fund management fee and insurance commission income.
- Operating income was 5,574 million baht, a decrease of 1,101 million baht or 16.49 percent from last year. This was mainly due to gains on investments which declined 1,198 million baht as a result of investment portfolio adjustment in accordance to the market environment.

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

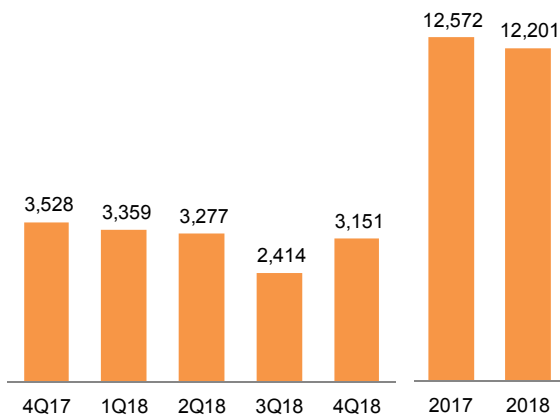
Fees Income Portion\* (Percent)

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

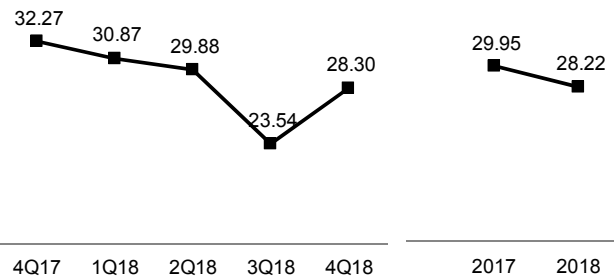


\*Fees Income Portion is based on Gross Fees and Service Income excluding Fees Expenses.

Non-interest Income (Million Baht)



Non-interest Income Ratio (Percent)





## Other Operating Expenses

Other Operating Expenses (Million Baht)								
	4Q18	3Q18	Change		2018	2017	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,835	2,652	183	6.90	11,171	11,981	(810)	(6.76)
Premises and Equipment Expenses	664	650	14	2.15	2,602	2,806	(204)	(7.27)
Taxes and Duties	180	178	2	1.12	713	726	(13)	(1.79)
Directors' Remuneration	8	8	-	-	58	53	5	9.43
Other Expenses	2,125	885	1,240	140.11	5,981	4,871	1,110	22.79
<b>Operating Expenses</b>	<b>5,812</b>	<b>4,373</b>	<b>1,439</b>	<b>32.91</b>	<b>20,525</b>	<b>20,437</b>	<b>88</b>	<b>0.43</b>

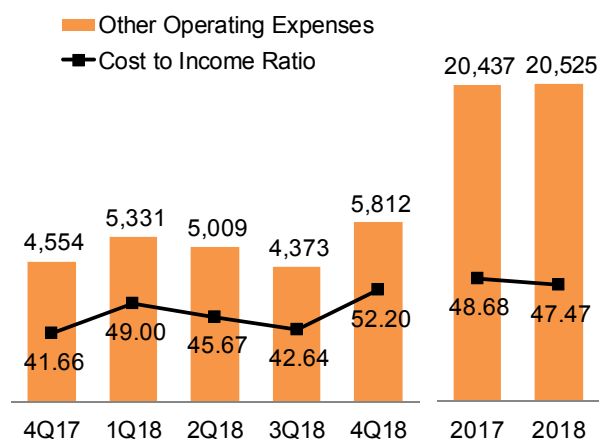
In 2018, other operating expenses of the Bank and its subsidiaries totaled 20,525 million baht, an increase of 88 million baht or 0.43 percent from last year. Consequently, cost to income ratio of 2018 was at 47.47 percent, a decrease from 48.68 percent in the previous year.

## Impairment Loss of Loans and Debt Securities

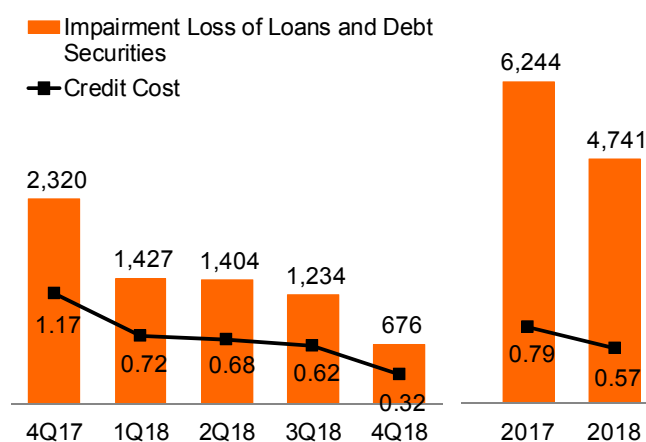
Impairment Loss of Loans and Debts Securities (Million Baht)								
	4Q18	3Q18	Change		2018	2017	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debts Securities	676	1,234	(558)	(45.22)	4,741	6,244	(1,503)	(24.07)
Credit Cost (Percent)	0.32	0.62	(0.30)	(48.39)	0.57	0.79	(0.22)	(27.85)

In 2018, the Bank and its subsidiaries had 4,741 million baht impairment loss of loans and debt securities, a decrease of 1,503 million baht or 24.07 percent from the previous year. Credit cost was at 0.57 percent, a decrease from 0.79 percent in the previous 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 2018, net profit attributable to the Bank totaled 14,703 million baht, an increase of 893 million baht or 6.47 percent from the previous year. Earnings per share (EPS) is 2.42 baht in the year 2018, an increase from 2.28 baht in the previous year. ROAA and ROAE were 1.46 percent and 10.68 percent respectively.

**Net Profit (Million Baht)**

Reviewed Financial Statements	For the three-month period ended			For the one year period ended	
	31 Dec 18	30 Sep 18	31 Dec 17	31 Dec 18	31 Dec 17
<b>Net Profit (Million Baht)</b>					
Profit for the Period	3,771	3,734	3,841	15,458	14,369
<b>Net Profit Attributable to the Company</b>	<b>3,563</b>	<b>3,540</b>	<b>3,674</b>	<b>14,703</b>	<b>13,810</b>
Net Profit Attributable to Non-controlling Interest	208	194	167	755	559
Basic Earning per Share	0.59	0.58	0.61	2.42	2.28
ROAA (Percent)	1.39	1.40	1.47	1.46	1.42
ROAE (Percent)	10.12	10.19	10.99	10.68	10.68

## Financial Position

Consolidated Statements of Financial Position (Million Baht)						
	31 Dec 18		31 Dec 17		Change	
	Amount	%	Amount	%	+ / (-)	%
Cash	11,019	1.05	11,453	1.13	(434)	(3.79)
Interbank and Money Market Items - net	97,568	9.32	94,651	9.38	2,917	3.08
Investment - net	161,078	15.39	167,368	16.58	(6,290)	(3.76)
Investment in Associated Company - net	2,437	0.23	2,258	0.22	179	7.93
Loans	753,498	71.99	711,675	70.49	41,823	5.88
Accrued Interest Receivables	645	0.06	589	0.06	56	9.51
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(23,652)	(2.26)	(24,034)	(2.38)	382	(1.59)
Property Foreclosed - net	2,815	0.27	2,793	0.28	22	0.79
Lands, Premises, and Equipment - net	7,996	0.76	8,622	0.85	(626)	(7.26)
Intangible Assets Acquired in a Business Combination - net	1,839	0.18	2,251	0.22	(412)	(18.30)
Goodwill	17,951	1.72	17,951	1.78	-	-
Other Assets	13,418	1.28	13,980	1.38	(562)	(4.02)
<b>Total Assets</b>	<b>1,046,612</b>	<b>100.00</b>	<b>1,009,557</b>	<b>100.00</b>	<b>37,055</b>	<b>3.67</b>
Deposits	752,160	71.87	716,278	70.95	35,882	5.01
Interbank and Money Market Items	71,955	6.88	82,424	8.16	(10,469)	(12.70)
Debt Issued and Borrowings	43,079	4.12	39,308	3.89	3,771	9.59
Other Liabilities	35,212	3.36	35,339	3.50	(127)	(0.36)
<b>Total Liabilities</b>	<b>902,406</b>	<b>86.22</b>	<b>873,349</b>	<b>86.51</b>	<b>29,057</b>	<b>3.33</b>
Company's Shareholders' Equity	141,699	13.54	134,290	13.30	7,409	5.52
Non-controlling Interests	2,507	0.24	1,918	0.19	589	30.71
<b>Total Shareholders' Equity</b>	<b>144,206</b>	<b>13.78</b>	<b>136,208</b>	<b>13.49</b>	<b>7,998</b>	<b>5.87</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,046,612</b>	<b>100.00</b>	<b>1,009,557</b>	<b>100.00</b>	<b>37,055</b>	<b>3.67</b>
Book Value per Share (Baht)	23.78		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 31 December 2018, the Bank and its subsidiaries' total assets amounted to 1,046,612 million baht, an increase of 37,055 million baht or 3.67 percent from the end of 2017. The key changes are as follows

- Net interbank and money market items were in the amount of 97,568 million baht, an increase of 2,917 million baht or 3.08 percent from the end of last year, mainly due to liquidity management.
- Net investments totaled 161,078 million baht, a decrease of 6,290 million baht or 3.76 percent from the end of last year, mainly due to management for suitable yield return.

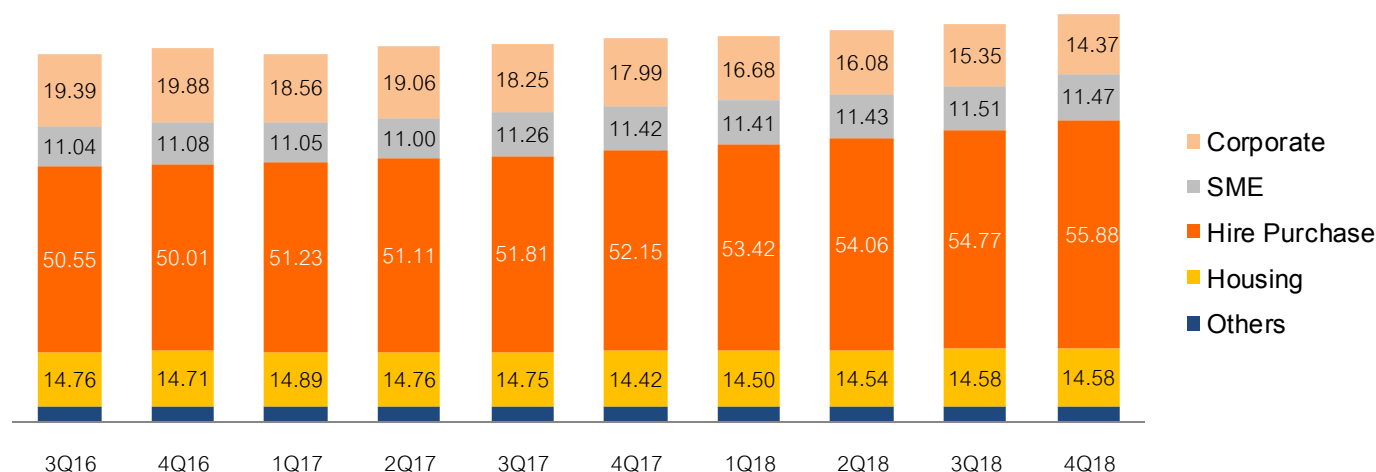
- Loans totaled 753,498 million baht, an increase of 41,823 million baht or 5.88 percent from the end of last year from retail and SME loans. In particular, hire purchase loans have experienced good growth of 13.44 percent, a result of an improved internal process and recovered automotive market, allowing the Bank to maintain a market leader position. The proportion of retail to corporate and SME loans was 74 to 26 percent.

The details of loans breakdown were as follows:

Loans (Million Baht)											Change From 3Q18		Change From 4Q17	
Loans	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	+/(-) %	+/(-) %	+/(-) %	+/(-) %
Corporate	108,293	112,942	116,434	118,875	128,026	127,515	132,528	126,624	137,363	131,657	(4,649)	(4.12)	(19,733)	(15.41)
SME	86,461	84,721	82,733	81,317	81,281	78,678	76,479	75,405	76,587	74,987	1,740	2.05	5,180	6.37
Retail	556,712	535,800	522,179	509,746	499,667	489,764	483,343	475,803	472,560	467,948	20,912	3.90	57,045	11.42
Hire Purchase	421,024	403,121	391,318	380,644	371,146	362,011	355,359	349,476	345,493	343,300	17,903	4.44	49,878	13.44
Housing	109,883	107,273	105,229	103,293	102,630	103,037	102,600	101,543	101,598	100,274	2,610	2.43	7,253	7.07
Other Retail	25,805	25,406	25,632	25,809	25,891	24,716	25,384	24,784	25,469	24,374	399	1.57	(86)	(0.33)
Others	2,032	2,496	2,566	2,651	2,701	2,789	2,895	4,285	4,397	4,557	(464)	(18.59)	(669)	(24.77)
<b>Total Loans</b>	<b>753,498</b>	<b>735,959</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>17,539</b>	<b>2.38</b>	<b>41,823</b>	<b>5.88</b>

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

### Loans Breakdown (Percent)



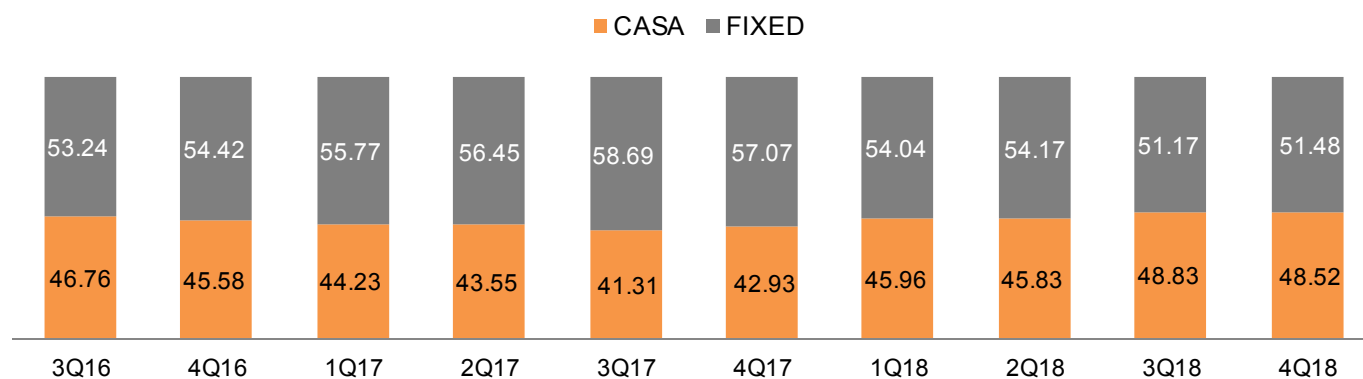
### Liabilities

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

**Deposits (Million Baht)**

	31 Dec 18		31 Dec 17		Change	
	Amount	%	Amount	%	+/(-)	%
Current	12,770	1.61	11,961	1.58	809	6.76
Savings	352,170	44.28	295,567	39.12	56,603	19.15
Fixed Deposits						
Less than 6 Months	44,024	5.54	36,529	4.83	7,495	20.52
6 Months and up to 1 Year	41,832	5.26	63,772	8.44	(21,940)	(34.40)
Over 1 Year	215,904	27.15	165,944	21.96	49,960	30.11
Certified of Deposits	85,460	10.75	142,505	18.86	(57,045)	(40.03)
<b>Total Deposits</b>	<b>752,160</b>	<b>94.58</b>	<b>716,278</b>	<b>94.80</b>	<b>35,882</b>	<b>5.01</b>
Debt Issued and Borrowings	43,079	5.42	39,308	5.20	3,771	9.59
<b>Total Deposits and Debt Issued and Borrowings</b>	<b>795,239</b>	<b>100.00</b>	<b>755,586</b>	<b>100.00</b>	<b>39,653</b>	<b>5.25</b>

- Deposits totaled 752,160 million baht, an increase of 35,882 million baht or 5.01 percent from the end of last year. An increase was mainly due to saving deposits. As a result, CASA ratio was 48.52 percent, an increase from 42.93 percent at the end of last year.
- Debt issued and borrowings totaled 43,079 million baht, an increase of 3,771 million baht or 9.59 percent mainly from issuance and offering of subsidiary company.

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

As of 31 December 2018, loan to deposit and debt issued and borrowing ratio of the Bank and its subsidiaries was 94.75 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 31 December 2018 was in the amount of 144,206 million baht, an increase of 7,998 million baht or 5.87 percent** from the end of 2017. The details are as follows:

- The Bank's shareholders' equity was in the amount of 141,699 million baht, an increase of 7,409 million baht or 5.52 percent. This was mainly due to profitable operating results of the Bank and its subsidiaries in 2018 which totaled 14,703 million baht, mark to market on investment which decreased by 1,063 million baht and dividend payment of 6,247 million baht
- Equity attributable to non-controlling interests was in the amount of 2,507 million baht, an increase of 589 million baht or 30.71 percent, a result of profitable operating results of subsidiaries.

### Non-performing Loans: NPLs

Non-performing Loans	TBANK (Consol.)				
	4Q18	3Q18	2Q18	1Q18	4Q17
NPL - gross (Million Baht)	19,329	19,090	18,622	19,146	18,108
Total Allowance* (Million Baht)	23,812	24,469	24,645	24,954	24,278
NPL - gross to Total Loans (Percent)	2.30	2.42	2.25	2.38	2.30
NPL - net to Total Loans (Percent)	1.22	1.31	1.19	1.19	1.19
Reserve to Required Reserve (Percent)	154.90	160.61	165.67	169.38	172.91
Coverage Ratio (Percent)	123.20	128.18	132.34	130.33	134.07

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

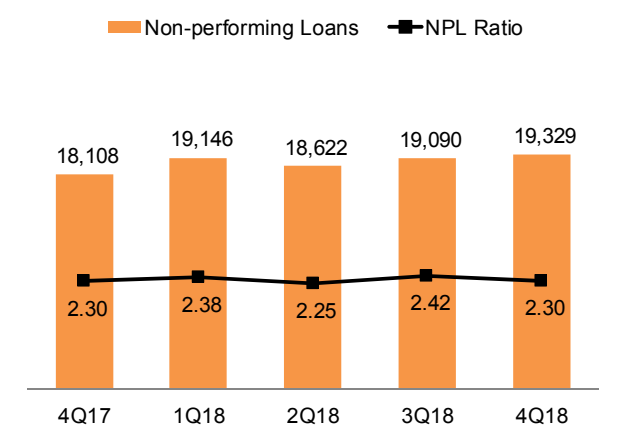
Non-performing Loans	TBANK Only				
	4Q18	3Q18	2Q18	1Q18	4Q17
NPL - gross (Million Baht)	15,905	15,281	14,865	15,399	14,412
Total Allowance* (Million Baht)	19,837	20,174	20,367	20,747	20,149
NPL - gross to Total Loans (Percent)	2.02	2.06	1.91	2.03	1.94
NPL - net to Total Loans (Percent)	1.24	1.33	1.20	1.20	1.19
Reserve to Required Reserve (Percent)	165.07	174.16	181.93	186.45	191.59
Coverage Ratio (Percent)	124.72	132.02	137.01	134.73	139.80

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

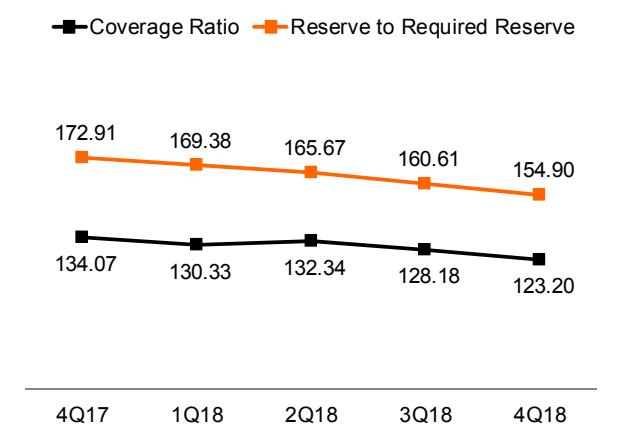
Amid gradual economic recovery, the Bank and its subsidiaries managed NPL through systematic and effective control. NPL as of 31 December 2018 was 19,329 million baht, an increase of 1,221 million baht or 6.74 percent from the end of last year. However, the Bank and its subsidiaries have maintained strong asset quality with NPL ratio at 2.30 percent, maintained from the end of last year. For Bank only, NPLs increased 1,493 million baht from the end of last year. NPL ratio of the Bank was at 2.02 percent, an increase from 1.94 percent at the end of last year.

Coverage ratio of the Bank and its subsidiaries as of 31 December 2018 was at 123.20 percent. The Bank and its subsidiaries have an excess reserve of 8,439 million baht and a reserve to required reserve ratio of 154.90 percent. Coverage ratio of the Bank as of 31 December 2018 was at 124.72 percent. The Bank has an excess reserve of 7,820 million baht and a reserve to required reserve ratio of 165.07 percent

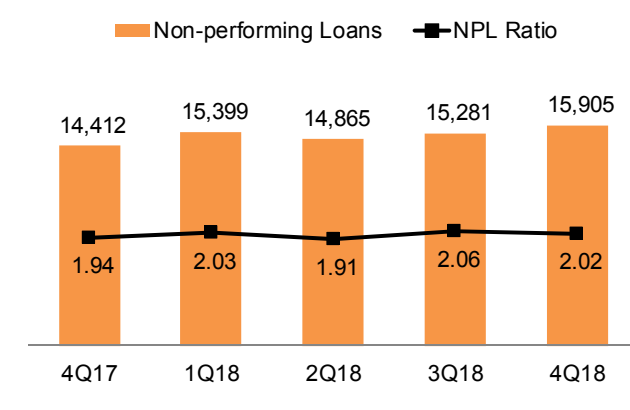
**Non-performing Loans (Million Baht) and NPL Ratio (Percent) of TBANK and Its Subsidiaries**



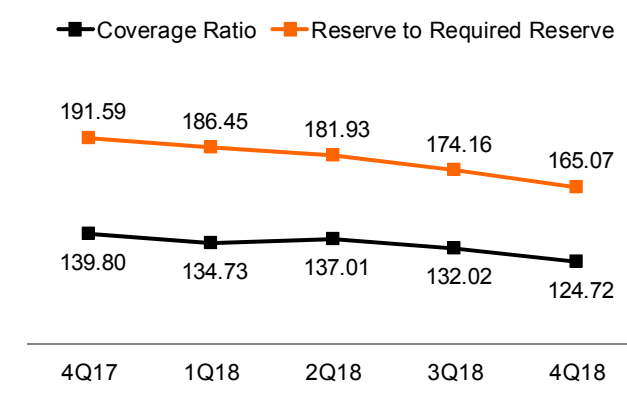
**Coverage Ratio (Percent) and Reserve to Required Reserve (Percent) of TBANK and Its Subsidiaries**



**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 capitals according to Basel III regulation in a total of 131,859 million baht as of 31 December 2018, of which 104,481 million baht was Tier I capital and 27,378 million baht was Tier II capital. BIS ratio was at 19.45 percent, of which 15.42 percent was Tier I capital and 4.03 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
	4Q18	3Q18	2Q18	1Q18	4Q17	
Total Common Equity Tier I to Risk Weighted Assets	15.42	15.30	14.79	14.70	14.81	6.375
Total Tier I to Risk Weighted Assets	15.42	15.30	14.79	14.70	14.81	7.875
Total Tier II to Risk Weighted Assets	4.03	4.02	4.04	4.10	4.13	-
Total Capital to Risk Weighted Assets	19.45	19.32	18.83	18.80	18.94	10.375

**Operating Results of Subsidiaries**

**Operating Results of Subsidiaries (Million Baht)**

Subsidiaries	Percent of Holding Direct/ Indirect	Net Profit (Loss)				
		4Q18	3Q18	4Q17	2018	2017
Thanachart Bank Public Company Limited						
Consolidated Financial Statements		3,563	3,540	3,674	14,703	13,810
Thanachart Securities Public Company Limited	100.00%	95	133	215	593	609
Thanachart Fund Management Company Limited	75.00%	147	166	112	654	426
Thanachart Insurance Public Company Limited	100.00%	235	257	263	1,042	1,051
TS AMC Company Limited	100.00%	71	49	30	237	210
Ratchthani Leasing Public Company Limited	65.18%	455	431	320	1,641	1,126

**Thanachart Securities Public Company Limited**

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

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

As of 31 December 2018, the company maintained its liquidity ratio (Net Liquid Capital Rules: NCR) at 37.74 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 31 December 2018, Thanachart Fund Management Company Limited had assets under management of 221,360 million baht, a decrease of 7,230 million baht or 3.16 percent from the end of 2017, due to the redemption of fixed income funds. Assets under management comprised of 86.59 percent mutual funds, 7.28 percent provident funds, and 6.13 percent private funds.



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

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

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

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

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

#### **TS 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 31 December 2018, the company's the total assets were 2,498 million baht, a decrease of 11 million baht or 0.44 percent from the end of last year.

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

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

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

**Net profit for the year 2018 amounted to 1,641 million baht, an increase of 515 million baht or 45.74 percent from the previous year.** Total income of the company amounted to 3,827 million baht, an increase of 520 million baht or 15.97 percent. This was due to the fact that the company has been able to maintain its hire purchase market share. At the same time, financial costs were 870 million baht, a decrease of 13 million baht or 1.47 percent, due to the acquisition of low cost borrowings to support new lending in the year 2018. Provision expenses amounted to 403 million baht, a decrease of 121 million baht or 23.09 percent from the previous year, due to the improvement of its asset quality. However, such provision expenses have already included in general provision that the company decided to add on for supporting the IFRS9 implementation in 2020.

## Risk Management

As of 31 December 2018 TBANK's total capital according to Basel III regulation amounted to 131,859 million baht, an increase from 125,527 million baht at the end of the previous year. Consequently, Common Equity Tier I capital and Tier I capital amounted to 104,481 million baht, an increase from the previous year of 98,209 million baht. This was due to the operating profit of the Bank. Tier II capital amounted to 27,378 million baht, an increase from the previous year of 27,318 million baht. This was due to an increase in reserve for normal loans.

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

TBANK Solo Consolidated	Capital Fund according to Basel III			
	31-Dec-18	31-Dec-17	Change	
			+ / (-)	%
Common Equity Tier I Capital	104,481	98,209	6,272	6.39
Tier I Capital	104,481	98,209	6,272	6.39
Tier II Capital	27,378	27,318	60	0.22
Total Capital	131,859	125,527	6,332	5.04
Risk Weighted Assets	677,775	662,905	14,870	2.24

Credit risk increased due to an increase in loans, especially hire purchase loans. Furthermore, market risk increased from an increase in trading transactions.

Although market and economic conditions gradually recovered, the Bank has managed NPLs systematically and effectively. As of 31 December 2018, NPL ratio of the Bank was at 2.02 percent, a slight increase from the previous year of 1.94 percent.

Coverage ratio of the Bank as of 31 December 2018 was at 124.72 percent, a decrease from the previous year of 139.80 percent. The Bank had 7,820 million baht in excess reserve based on the BOT's regulation with 165.07 percent of reserve to 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 15.42, 15.42, and 19.45 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 for overall risks 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 consolidated financial statements  
31 December 2018

## **Independent Auditor's Report**

To the Shareholders of Thanachart Bank Public Company Limited

### **Opinion**

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

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

### **Basis for Opinion**

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

## **Other Information**

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
Bangkok: 25 February 2019



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

**Statement of financial position**

**As at 31 December 2018**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Assets</b>					
Cash		11,019,018	11,452,983	11,012,023	11,444,929
Interbank and money market items - net	6	97,567,628	94,651,333	95,257,115	94,576,963
Derivatives assets	7	2,005,387	2,889,208	2,001,344	2,888,037
Investments - net	8	161,077,885	167,367,984	152,430,216	157,447,597
Investments in subsidiary and associated companies - net	9	2,436,970	2,258,030	7,156,290	7,170,077
Loans to customers and accrued interest receivables	10				
Loans to customers		819,654,144	766,801,166	760,284,420	715,967,834
Accrued interest receivables		645,276	589,074	645,471	589,271
Total loans to customers and accrued interest receivables		820,299,420	767,390,240	760,929,891	716,557,105
Less: Deferred revenue		(66,156,575)	(55,126,638)	(60,683,476)	(50,462,785)
Allowance for doubtful accounts	11	(23,651,007)	(24,033,034)	(19,661,597)	(19,876,541)
Revaluation allowance for debt restructuring	12	(603)	(977)	(603)	(977)
Net loans to customers and accrued interest receivables		730,491,235	688,229,591	680,584,215	646,216,802
Customers' liability under acceptances		9,164	9,824	9,164	9,824
Properties foreclosed - net	14	2,814,835	2,792,566	1,633,036	1,467,300
Land, premises and equipment - net	15	7,995,772	8,621,914	7,798,454	8,396,204
Goodwill and intangible assets - net	16	19,790,601	20,202,569	19,637,196	20,069,209
Deferred tax assets	17	767,994	712,880	-	-
Receivables from purchase and sale of securities		2,741,745	3,126,779	1,090,531	33,771
Other assets - net	18	7,893,423	7,241,183	5,513,955	4,738,848
<b>Total assets</b>		<b>1,046,611,657</b>	<b>1,009,556,844</b>	<b>984,123,539</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**

**Statement of financial position (continued)**

**As at 31 December 2018**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Liabilities and equity</b>					
Deposits	19	752,160,436	716,277,964	753,944,978	717,807,077
Interbank and money market items	20	71,954,867	82,424,434	55,964,405	69,809,251
Liability payable on demand		1,163,165	1,988,656	1,163,165	1,988,656
Derivatives liabilities	7	2,097,019	2,867,633	2,092,519	2,864,594
Debt issued and borrowings	21	43,079,280	39,307,788	20,005,158	20,005,158
Banks' liability under acceptances		9,164	9,824	9,164	9,824
Provisions	22	3,874,580	3,638,175	3,582,155	3,369,306
Deferred tax liabilities	17	1,319,748	1,055,733	1,183,607	939,460
Payables from purchase and sale of securities		1,518,341	2,318,019	759,003	43,710
Accrued interest payables		2,187,972	2,355,530	2,065,060	2,241,760
Accrued expenses		5,966,880	5,346,583	5,240,305	4,635,555
Insurance contracts liabilities	23	5,729,438	5,475,413	-	-
Other liabilities	24	11,345,546	10,283,135	6,972,799	6,359,724
<b>Total liabilities</b>		<b>902,406,436</b>	<b>873,348,887</b>	<b>852,982,318</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	25	1,440,747	2,541,962	651,307	1,601,478
Retained earnings					
Appropriated - statutory reserve	26	4,954,068	4,258,534	4,954,068	4,258,534
Unappropriated		72,554,413	64,740,444	62,786,530	55,776,158
<b>Equity attributable to owner of the company</b>		<b>141,698,544</b>	<b>134,290,256</b>	<b>131,141,221</b>	<b>124,385,486</b>
Non-controlling interests of the subsidiaries		2,506,677	1,917,701	-	-
<b>Total equity</b>		<b>144,205,221</b>	<b>136,207,957</b>	<b>131,141,221</b>	<b>124,385,486</b>
<b>Total liabilities and equity</b>		<b>1,046,611,657</b>	<b>1,009,556,844</b>	<b>984,123,539</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**

**Statement of comprehensive income**

**For the year ended 31 December 2018**

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Profit or loss</b>					
Interest income	29	46,287,309	44,365,707	42,805,500	41,281,638
Interest expenses	30	(15,249,746)	(14,955,982)	(14,440,105)	(14,143,950)
<b>Net interest income</b>		31,037,563	29,409,725	28,365,395	27,137,688
Fees and service income		10,215,500	9,099,941	7,825,804	6,872,021
Fees and service expenses		(3,588,268)	(3,203,316)	(3,360,812)	(2,928,872)
<b>Net fees and service income</b>	31	6,627,232	5,896,625	4,464,992	3,943,149
Gains on trading and foreign exchange transactions	32	357,429	548,281	268,399	434,648
Gains (losses) on investments	33	(84,661)	1,112,547	(126,704)	1,033,212
Share of profit from investments accounted for under equity method		298,475	199,874	-	-
Insurance income	34	6,862,656	6,843,080	-	-
Dividend income		410,689	464,413	3,111,994	2,838,259
Other operating income		1,654,846	1,421,869	1,531,868	1,396,517
<b>Total operating income</b>		47,164,229	45,896,414	37,615,944	36,783,473
Insurance expenses	35	(3,925,288)	(3,914,975)	-	-
<b>Net operating income</b>		43,238,941	41,981,439	37,615,944	36,783,473
<b>Other operating expenses</b>					
Employee's expenses		11,170,917	11,981,266	9,367,275	10,135,215
Directors' remuneration	36	58,206	52,752	42,137	39,799
Premises and equipment expenses		2,602,025	2,806,371	2,313,941	2,506,797
Taxes and duties		713,087	725,823	697,646	708,046
Other expenses		5,980,719	4,870,854	5,363,617	4,312,096
<b>Total other operating expenses</b>		20,524,954	20,437,066	17,784,616	17,701,953
<b>Impairment losses of loans and debt securities</b>	37	4,741,233	6,243,714	4,464,916	5,934,973
<b>Profit before income tax</b>		17,972,754	15,300,659	15,366,412	13,146,547
<b>Income tax</b>	17.2	(2,515,061)	(931,525)	(1,455,739)	(11,110)
<b>Profit for the year</b>		15,457,693	14,369,134	13,910,673	13,135,437

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

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

**Statement of comprehensive income (continued)**

**For the year ended 31 December 2018**

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b>Other comprehensive income</b>	38				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on changes in value of available-for-sale investments		(1,328,097)	1,164,360	(1,137,026)	874,586
Share of other comprehensive income of the associate		4,222	75,755	-	-
Income tax relating to components of other comprehensive income		264,844	(245,307)	227,405	(174,917)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive income of the associate		16	-	-	-
Actuarial gains (losses) on defined benefit plan		(3,753)	(235,693)	1,864	(228,008)
Income tax relating to components of other comprehensive income		627	46,845	(373)	45,602
<b>Total other comprehensive income (loss)</b>		<u>(1,062,141)</u>	<u>805,960</u>	<u>(908,130)</u>	<u>517,263</u>
<b>Total comprehensive income</b>		<u>14,395,552</u>	<u>15,175,094</u>	<u>13,002,543</u>	<u>13,652,700</u>
<b>Total profit attributable to:</b>					
The Bank		14,703,337	13,810,325	<u>13,910,673</u>	<u>13,135,437</u>
Non-controlling interests		754,356	558,809		
		<u>15,457,693</u>	<u>14,369,134</u>		
<b>Total comprehensive income attributable to:</b>					
The Bank		13,641,421	14,616,960	<u>13,002,543</u>	<u>13,652,700</u>
Non-controlling interests		754,131	558,134		
		<u>14,395,552</u>	<u>15,175,094</u>		
<b>Earnings per share of the Bank</b>	39				
Basic earnings per share					
Profit attributable to the Bank (Baht per share)		<u>2.42</u>	<u>2.28</u>	<u>2.29</u>	<u>2.17</u>

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

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

**Statements of cash flows**

**For the year ended 31 December 2018**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Profit before income tax	17,972,754	15,300,659	15,366,412	13,146,547
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	(298,475)	(199,874)	-	-
Depreciation and amortisation	1,454,016	1,565,248	1,371,680	1,483,021
Impairment losses of loans and debt securities	4,741,233	6,243,714	4,464,916	5,934,973
Increase in provisions	749,626	670,798	721,723	643,360
Amortisation of premiums on investment in debt securities	(158,191)	378,502	(149,496)	389,580
Decrease in allowance for impairment of investments	(1,461)	(65,057)	(1,494)	(102,976)
Gain from disposal of investment in the associated company	(16,475)	(202,207)	(15,238)	(176,746)
Decrease (increase) in allowance for change in value of investment	139,830	16,194	53,940	(3,400)
Increase (decrease) in allowance for impairment of properties foreclosed	(30,852)	10,693	(5,336)	2,865
Decrease in allowance for impairment of land, premises and equipment	-	(5,436)	-	(5,436)
Interest income and other income from the assets transferred for debt repayment	-	(735)	-	(735)
Loss (gain) from disposal of land, premises and equipment	(23,783)	13,561	(23,616)	14,926
Loss from disposal of intangible assets	370	348	267	-
Unrealised loss on exchange	132,867	1,455,894	132,867	1,455,894
Increase in allowance for impairment of other assets	26,551	35,051	20,330	25,831
Decrease (increase) in other income receivable	(287,951)	139,931	(56,956)	220,981
Decrease in fees and rental received in advance	(231,467)	(170,182)	(231,467)	(170,182)
Decrease in deferred income	(10,080)	(28,358)	(10,080)	(28,358)
Increase in accrued expenses	584,546	145,776	569,000	147,734
	<u>24,743,058</u>	<u>25,304,520</u>	<u>22,207,452</u>	<u>22,977,879</u>
Net interest income	(30,879,372)	(29,788,228)	(28,215,899)	(27,527,268)
Dividend income	(410,689)	(464,413)	(3,111,994)	(2,838,259)
Cash received from interest income	43,587,280	41,277,382	40,239,040	38,288,334
Cash paid for interest expenses	(13,717,725)	(12,360,712)	(13,489,910)	(12,163,949)
Cash paid for corporate income tax	(1,450,065)	(1,102,869)	(429,426)	(238,195)
<b>Income from operating activities before changes in operating assets and liabilities</b>	<u>21,872,487</u>	<u>22,865,680</u>	<u>17,199,263</u>	<u>18,498,542</u>

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

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

**Statements of cash flows (continued)**

**For the year ended 31 December 2018**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities (continued)</b>				
Decrease (increase) in operating assets				
Interbank and money market items	(2,853,237)	(47,351,560)	(612,333)	(47,273,212)
Investments in trading securities	(4,972,814)	(2,320,459)	(5,610,817)	(2,215,790)
Derivatives assets	1,230,119	1,111,356	1,232,992	1,112,209
Loans to customers	(53,302,612)	(33,546,069)	(44,596,085)	(24,680,242)
Properties foreclosed	6,241,949	5,627,179	5,520,504	4,803,224
Receivables from purchase and sale of securities	385,034	(2,000,917)	(1,056,760)	(33,771)
Other assets	(243,226)	488,542	(387,146)	(115,303)
Increase (decrease) in operating liabilities				
Deposits	35,882,472	39,721,462	36,137,901	39,999,839
Interbank and money market items	(10,300,576)	16,456,575	(13,675,855)	13,520,032
Liability payable on demand	(825,491)	2,231	(825,491)	2,231
Derivatives liabilities	(1,444,263)	(1,744,879)	(1,445,724)	(1,747,837)
Payables from purchase and sale of securities	(799,678)	(48,268)	715,293	(956,290)
Insurance contract liabilities	254,025	538,618	-	-
Other liabilities	(427,987)	2,815,787	(390,504)	1,280,622
<b>Net cash flows from (used in) operating activities</b>	<b>(9,303,798)</b>	<b>2,615,278</b>	<b>(7,794,762)</b>	<b>2,194,254</b>
<b>Cash flows from investing activities</b>				
Decrease in investments in securities held for investment	10,346,326	10,271,390	9,853,494	11,890,167
Cash received from disposal of investment in the associated company	29,026	366,060	29,026	366,060
Cash received from interest on investments	2,866,568	3,782,104	2,756,030	3,684,714
Cash received from dividend	410,519	464,393	2,466,994	2,838,259
Cash paid for purchase of equipment	(266,710)	(419,357)	(236,555)	(381,748)
Cash received from disposal of land, premises and equipment	52,771	12,781	50,145	8,444
Cash paid for purchase of intangible assets	(246,226)	(282,307)	(204,970)	(241,108)
<b>Net cash flows from investing activities</b>	<b>13,192,274</b>	<b>14,195,064</b>	<b>14,714,164</b>	<b>18,164,788</b>

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

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

**Statements of cash flows (continued)**

**For the year ended 31 December 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	14,520,202	12,723,572	-	-
Cash paid for borrowings	(10,748,711)	(22,824,701)	-	(14,516,969)
Cash paid for interest from borrowings	(1,681,969)	(2,208,904)	(1,105,500)	(1,617,481)
Cash paid for dividend	(6,246,808)	(4,851,890)	(6,246,808)	(4,851,890)
Cash paid for dividend to non-controlling interests	(165,155)	(272,433)	-	-
<b>Net cash flows used in financing activities</b>	<b>(4,322,441)</b>	<b>(17,434,356)</b>	<b>(7,352,308)</b>	<b>(20,986,340)</b>
<b>Net decrease in cash</b>	<b>(433,965)</b>	<b>(624,014)</b>	<b>(432,906)</b>	<b>(627,298)</b>
<b>Cash at beginning of the year</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 year</b>	<b>11,019,018</b>	<b>11,452,983</b>	<b>11,012,023</b>	<b>11,444,929</b>
	-	-	-	-
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Transfer of properties foreclosed from receivables for debt settlement	6,046,732	4,793,307	5,494,271	4,283,733
Accounts payable for purchase of fixed assets	83,559	33,680	77,820	32,833
Bad debt written-off	5,672,936	7,672,186	5,533,087	6,219,709

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

Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in equity

For the year ended 31 December 2018

(Unit: Thousand Baht)

Consolidated financial statements																		
Other components of equity																		
	Note	Issued and fully paid-up		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		Total
		share capital	Share premium									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	28	-	-	-	-	-	-	-	-	(4,851,890)	-	(4,851,890)						
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	(272,433)	(272,433)						
Transfer of retained earnings to statutory reserve	26	-	-	-	-	-	-	-	656,771	(656,771)	-	-						
Surplus from the change in the ownership interests in subsidiaries of the associate		-	-	-	-	-	-	36,594	-	-	-	36,594						
Profit for the year		-	-	-	-	-	-	-	-	13,810,325	558,809	14,369,134						
Other comprehensive income for the year (loss)		-	-	-	-	926,628	68,180	-	-	(188,173)	(675)	805,960						
Transferred to retained earnings		-	-	-	(45,775)	-	(30)	-	-	45,805	-	-						
<b>Balance as at 31 December 2017</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>(123,379)</u>	<u>1,234,813</u>	<u>862,541</u>	<u>531,393</u>	<u>36,594</u>	<u>4,258,534</u>	<u>64,740,444</u>	<u>1,917,701</u>	<u>136,207,957</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 the associate	9.6	-	-	-	-	-	-	-	-	13,675	-	13,675						
Dividend paid	28	-	-	-	-	-	-	-	-	(6,246,808)	-	(6,246,808)						
Transfer of retained earnings to statutory reserve	26	-	-	-	-	-	-	-	695,534	(695,534)	-	-						
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	(165,155)	(165,155)						
Profit for the year		-	-	-	-	-	-	-	-	14,703,337	754,356	15,457,693						
Other comprehensive income for the year (loss)		-	-	-	-	(1,062,831)	3,814	-	-	(2,899)	(225)	(1,062,141)						
Transferred to retained earnings		-	-	-	(40,550)	-	(1,369)	(279)	-	42,198	-	-						
<b>Balance as at 31 December 2018</b>		<u>60,648,622</u>	<u>2,100,694</u>	<u>(123,379)</u>	<u>1,194,263</u>	<u>(200,290)</u>	<u>533,838</u>	<u>36,315</u>	<u>4,954,068</u>	<u>72,554,413</u>	<u>2,506,677</u>	<u>144,205,221</u>						

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



Thanachart Bank Public Company Limited and its subsidiaries

Statements of changes in equity (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

		Separate financial statements						
				Other components of equity		Retained earnings		
		Issued and		Surplus on	Surplus on changes	Appropriated -		
		fully paid-up	Share premium	revaluation	in value of	statutory reserve	Unappropriated	Total
Note	share capital		of assets	investments - net				
<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	28	-	-	-	-	(4,851,890)	(4,851,890)	
Transfer of retained earnings to statutory reserve	26	-	-	-	-	656,771	(656,771)	-
Profit for the year	-	-	-	-	-	13,135,437	13,135,437	
Other comprehensive income for the year (loss)	-	-	-	699,669	-	(182,406)	517,263	
Transferred to retained earnings	-	-	(45,775)	-	-	45,775	-	
<b>Balance as at 31 December 2017</b>	<u>60,648,622</u>	<u>2,100,694</u>	<u>1,232,590</u>	<u>368,888</u>	<u>4,258,534</u>	<u>55,776,158</u>	<u>124,385,486</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	28	-	-	-	-	(6,246,808)	(6,246,808)	
Transfer of retained earnings to statutory reserve	26	-	-	-	-	695,534	(695,534)	-
Profit for the year	-	-	-	-	-	13,910,673	13,910,673	
Other comprehensive income for the year (loss)	-	-	-	(909,621)	-	1,491	(908,130)	
Transferred to retained earnings	-	-	(40,550)	-	-	40,550	-	
<b>Balance as at 31 December 2018</b>	<u>60,648,622</u>	<u>2,100,694</u>	<u>1,192,040</u>	<u>(540,733)</u>	<u>4,954,068</u>	<u>62,786,530</u>	<u>131,141,221</u>	
	-	-	-	-	-	-	-	

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

**Thanachart Bank Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 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 512 operational branches (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** These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 4 December 2015.

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

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

## 2.2 Basis of preparation of the consolidated financial statements

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

	Nature of business	Percentage of holding	
		2018	2017
<u>Subsidiaries directly held by the Bank</u>			
Thanachart Securities Plc.	Securities business	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	75.00	75.00
Thanachart Broker Co., Ltd.	Insurance broker	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	100.00	100.00
Thanachart Training and Development Co., Ltd.	Training services	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	100.00	100.00
Security Scib Services Co., Ltd.	Services	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	65.18	65.18
<u>Subsidiary indirectly held by the Bank</u>			
RTN Insurance Broker Co., Ltd.	Non-life insurance broker	65.18	-
National Leasing Co., Ltd. <sup>(1)</sup>	In liquidation process	-	100.00

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

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

	(Unit: Million Baht)			
	Total assets		Net operating income for the years	
	2018	2017	2018	2017
Ratchthani Leasing Plc.	47,124	39,019	2,899	2,378
TS Asset Management Co., Ltd.	2,066	2,528	120	178
Thanachart Insurance Plc.	13,742	12,784	3,299	3,291
Thanachart Securities Plc.	8,702	11,447	1,645	1,762

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

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

### **3. New financial reporting standards**

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

During the year, 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.

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

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

The management of the Bank and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. Key principles of this standard are summarised below:

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

TFRS 15 supersedes the following of accounting standards together with related interpretations.

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

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

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.

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

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the 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.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **a) Interest and discounts on loans**

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

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

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

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

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

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

#### **b) Interest and dividends on investments**

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

c) Brokerage fee income

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

d) Interest on margin loans for purchase of securities

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

e) Gains (losses) on investments and derivatives

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

f) Fees and service income

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

g) Insurance premium income

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

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

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



## 4.2 Expenses recognition

### a) Interest expenses

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

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

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

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

### c) Fees and service expenses

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

## 4.3 Investments

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

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

Investments in held-to-maturity debt securities are stated at amortised cost. Premiums/ discounts on debt securities are amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

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

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

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

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

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

#### **4.4 Investments in receivables purchased and allowance for impairment**

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

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

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

#### **4.5 Investments in subsidiary and associated companies**

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

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

#### **4.6 Loans to customers**

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

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

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

#### **4.7 Allowances for doubtful accounts**

a) Allowance for doubtful accounts for loans

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

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

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

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

#### **4.8 Troubled debt restructuring**

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

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

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

#### **4.9 Recognition and amortisation of customers' assets**

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

#### **4.10 Property foreclosed**

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

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

#### **4.11 Land, premises and equipment and depreciation**

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

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

The Bank and its subsidiaries recognise the differences arising from the revaluation as follows:

- When an asset's carrying amount is increased as a result of the revaluation, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

- b) Assets under installation are stated at cost, and depreciation is not provided.
- c) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:

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

Depreciation is included in determining income.

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

#### **4.12 Intangible assets and amortisation**

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

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

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

No amortisation for computer software under development.

#### **4.13 Leasehold rights**

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

#### **4.14 Business combination and goodwill**

Business combination accounted for under purchase method.

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

#### **4.15 Receivable from/payable to Clearing House**

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

#### **4.16 Classification of insurance contracts**

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

A subsidiary classifies insurance contracts by determining significant insurance risk individually. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.



#### **4.17 Securities purchased under resale agreements/ securities sold under repurchase agreements**

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

#### **4.18 Premium receivable and allowance for doubtful accounts**

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

#### **4.19 Reinsurance assets and liabilities**

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

#### 4.20 Premium reserve

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

a) Unearned premium reserve

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

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

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

b) Unexpired risks reserve

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

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

#### 4.21 Loss reserve and outstanding claims

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

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

#### **4.22 Long-term leases**

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

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

#### **4.23 Financial derivatives**

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

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

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

#### **4.24 Related party transactions**

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

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

#### **4.25 Impairment of assets**

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

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

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

#### **4.26 Structured notes**

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

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

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

#### **4.27 Employee benefits**

a) Short-term employee benefits

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

b) Post-employment benefits (Defined contribution plans)

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

c) Post-employment benefits (Defined benefit plans)

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

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

The Bank and its subsidiaries recognise actuarial gains and losses in other comprehensive income.

#### **4.28 Foreign currencies**

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

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

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

#### **4.29 Income tax**

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

##### Current income tax

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

##### Deferred tax

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

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

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

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

#### **4.30 Provisions**

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

#### **4.31 Fair value measurement**

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

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

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

- Level 1 - Use of quoted market prices for the same assets or liabilities in an observable active market
- Level 2 - Use of other inputs that are observable for the assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

#### **5. Significant accounting judgements and estimates**

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

### **5.1 Recognition and derecognition of assets and liabilities**

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

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

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

### **5.3 Allowance for impairment of investments in securities**

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

### **5.4 Assessment of investment funds as structured entities**

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

### **5.5 Fair value of financial instruments**

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



## **5.6 Allowance for impairment of properties foreclosed**

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

## **5.7 Land, premises and equipment and depreciation**

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

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

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

## **5.8 Goodwill and intangible assets**

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

## **5.9 Deferred tax assets**

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

#### **5.10 Finance lease/Operating lease**

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

#### **5.11 Unearned premium reserve**

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

#### **5.12 Loss reserve and outstanding claims**

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

#### **5.13 Post-employment benefits under defined benefit plans**

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

#### **5.14 Litigation and contingent liabilities**

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

## 6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	6,634	-	6,634	5,434	800	6,234
Commercial banks	408	32,385	32,793	344	23,058	23,402
Specialised financial institutions	-	39,150	39,150	1	36,890	36,891
Other financial institutions	850	16,567	17,417	798	17,997	18,795
<b>Total</b>	<b>7,892</b>	<b>88,102</b>	<b>95,994</b>	<b>6,577</b>	<b>78,745</b>	<b>85,322</b>
Add: Accrued interest receivables	-	38	38	-	21	21
Less: Deferred revenues	-	-	-	-	(3)	(3)
Less: Allowance for doubtful accounts	-	(160)	(160)	-	(244)	(244)
<b>Total domestic items</b>	<b>7,892</b>	<b>87,980</b>	<b>95,872</b>	<b>6,577</b>	<b>78,519</b>	<b>85,096</b>
<b>Foreign</b>						
US Dollar	1,307	30	1,337	1,397	7,794	9,191
Euro	70	-	70	45	-	45
Others	289	-	289	283	-	283
<b>Total</b>	<b>1,666</b>	<b>30</b>	<b>1,696</b>	<b>1,725</b>	<b>7,794</b>	<b>9,519</b>
Add: Accrued interest receivables	-	-	-	-	36	36
<b>Total foreign items</b>	<b>1,666</b>	<b>30</b>	<b>1,696</b>	<b>1,725</b>	<b>7,830</b>	<b>9,555</b>
<b>Total</b>	<b>9,558</b>	<b>88,010</b>	<b>97,568</b>	<b>8,302</b>	<b>86,349</b>	<b>94,651</b>

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	6,634	-	6,634	5,433	800	6,233
Commercial banks	233	30,475	30,708	202	21,827	22,029
Specialised financial institutions	-	37,500	37,500	-	35,500	35,500
Other financial institutions	2,300	16,567	18,867	3,518	17,997	21,515
<b>Total</b>	<b>9,167</b>	<b>84,542</b>	<b>93,709</b>	<b>9,153</b>	<b>76,124</b>	<b>85,277</b>
Add: Accrued interest receivables	-	27	27	-	19	19
Less: Deferred revenues	-	-	-	-	(3)	(3)
Less: Allowance for doubtful accounts	(15)	(160)	(175)	(27)	(244)	(271)
<b>Total domestic items</b>	<b>9,152</b>	<b>84,409</b>	<b>93,561</b>	<b>9,126</b>	<b>75,896</b>	<b>85,022</b>
<b>Foreign</b>						
US Dollar	1,307	30	1,337	1,397	7,794	9,191
Euro	70	-	70	45	-	45
Others	289	-	289	283	-	283
<b>Total</b>	<b>1,666</b>	<b>30</b>	<b>1,696</b>	<b>1,725</b>	<b>7,794</b>	<b>9,519</b>
Add: Accrued interest receivables	-	-	-	-	36	36
<b>Total foreign items</b>	<b>1,666</b>	<b>30</b>	<b>1,696</b>	<b>1,725</b>	<b>7,830</b>	<b>9,555</b>
<b>Total</b>	<b>10,818</b>	<b>84,439</b>	<b>95,257</b>	<b>10,851</b>	<b>83,726</b>	<b>94,577</b>

As at 31 December 2018, the Bank had loan to a subsidiary company, which was a financial institution, of Baht 1,450 million in the separate financial statements (2017: Baht 2,720 million).

## 7. Derivatives

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

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
<b>Types of risk</b>						
<b>Foreign exchange rate</b>						
Derivatives for trading	460	527	78,516	530	585	85,137
Derivatives for banking book	2	-	137	128	32	9,592
<b>Interest rate</b>						
Derivatives for trading	1,144	1,128	282,096	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	111	104	5,014	139	138	7,931
Derivatives for banking book	284	334	17,426	243	325	10,425
<b>Others</b>						
Derivatives for trading	4	4	1,216	1	3	2,303
<b>Total</b>	<b>2,005</b>	<b>2,097</b>	<b>405,935</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					
	2018			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	460	527	78,516	530	585	85,137
Derivatives for banking book	2	-	137	128	32	9,592
<b>Interest rate</b>						
Derivatives for trading	1,144	1,128	282,096	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	111	104	5,014	139	138	7,931
Derivatives for banking book	284	334	17,426	243	325	10,425
<b>Total</b>	<b>2,001</b>	<b>2,093</b>	<b>404,719</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 year is presented under derivatives assets/derivatives liabilities. Accrued interest receivables/payables per the contracts are recorded as accrued interest receivables under the caption of other assets or accrued interest payables, as the case maybe.

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

Counterparties	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	Percent	Percent	Percent	Percent
Financial institutions	93.52	93.32	93.83	93.91
Third parties	6.48	6.68	6.17	6.09
Total	100.00	100.00	100.00	100.00

## 8. Investments

### 8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2018		2017		2018		2017	
	Cost/ Amortised cost	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	12,300	12,317	9,119	9,127	12,300	12,317	9,119	9,127
Private debt securities	693	694	232	232	693	694	263	263
Domestic marketable equity securities	1,079	958	1,749	1,713	-	-	-	-
	14,072	13,969	11,100	11,072	12,993	13,011	9,382	9,390
Add (less): Allowance for change in value	(103)		(28)		18		8	
Net	13,969		11,072		13,011		9,390	
<b>Available-for-sale securities</b>								
Government and state enterprises								
securities	100,009	99,720	113,782	113,978	99,391	99,102	110,482	110,673
Private debt securities	21,361	21,340	24,009	24,336	16,811	16,779	21,052	21,339
Foreign debt securities	17,385	17,203	10,441	10,430	17,385	17,203	10,441	10,430
Domestic marketable equity securities	4,461	4,610	2,744	3,203	2,386	2,213	1,302	1,290
Unit trusts	3	3	403	415	-	-	200	206
	143,219	142,876	151,379	152,362	135,973	135,297	143,477	143,938
Add (less): Allowance for change in value	(343)		983		(676)		461	
Net	142,876		152,362		135,297		143,938	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2018		2017		2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Held-to-maturity debt securities</b>								
Government and state enterprises securities	381	387	42	49	-	-	-	-
Private debt securities	220	247	240	273	508	541	485	531
Net	601	634	282	322	508	541	485	531
<b>General investment</b>								
Unit trusts	-		25		-		25	
Domestic non-marketable equity securities	3,639		3,636		3,621		3,619	
Foreign non-marketable equity securities	1		1		1		1	
	3,640		3,662		3,622		3,645	
Less: Allowance for impairment	(8)		(10)		(8)		(10)	
Net	3,632		3,652		3,614		3,635	
<b>Total investments - net</b>	<b>161,078</b>		<b>167,368</b>		<b>152,430</b>		<b>157,448</b>	

## 8.2 Classified by remaining period of debt securities

(Unit: Million Baht)

	Consolidated financial statements									
	2018					2017				
	Due within					Due within				
	At call	Less than 1 year	1 - 5 years	Over 5 years	Total	At call	Less than 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>										
Government and state enterprises securities	5	53,927	46,075	2	100,009	5	22,796	90,839	142	113,782
Private debt securities	-	1,865	14,962	4,534	21,361	-	872	18,213	4,924	24,009
Foreign debt securities	-	-	17,385	-	17,385	-	4,249	5,863	329	10,441
Total	5	55,792	78,422	4,536	138,755	5	27,917	114,915	5,395	148,232
Add (less): Allowance for change in value	-	6	(474)	(24)	(492)	-	33	442	37	512
Total	5	55,798	77,948	4,512	138,263	5	27,950	115,357	5,432	148,744
<b>Held-to-maturity debt securities</b>										
Government and state enterprises securities	-	338	-	43	381	-	-	-	42	42
Private debt securities	-	30	40	150	220	-	40	50	150	240
Total	-	368	40	193	601	-	40	50	192	282
<b>Total debt securities</b>	<b>5</b>	<b>56,166</b>	<b>77,988</b>	<b>4,705</b>	<b>138,864</b>	<b>5</b>	<b>27,990</b>	<b>115,407</b>	<b>5,624</b>	<b>149,026</b>

(Unit: Million Baht)

	Separate financial statements									
	2018					2017				
	Due within					Due within				
	At call	Less than 1 year	1 - 5 years	Over 5 years	Total	At call	Less than 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>										
Government and state enterprises securities	5	53,478	45,908	-	99,391	5	20,833	89,644	-	110,482
Private debt securities	-	701	11,660	4,450	16,811	-	670	15,622	4,760	21,052
Foreign debt securities	-	-	17,385	-	17,385	-	4,249	5,863	329	10,441
<b>Total</b>	<b>5</b>	<b>54,179</b>	<b>74,953</b>	<b>4,450</b>	<b>133,587</b>	<b>5</b>	<b>25,752</b>	<b>111,129</b>	<b>5,089</b>	<b>141,975</b>
Add (less): Allowance for change in value	-	3	(480)	(26)	(503)	-	32	404	31	467
<b>Total</b>	<b>5</b>	<b>54,182</b>	<b>74,473</b>	<b>4,424</b>	<b>133,084</b>	<b>5</b>	<b>25,784</b>	<b>111,533</b>	<b>5,120</b>	<b>142,442</b>
<b>Held-to-maturity debt securities</b>										
Private debt securities	-	-	270	238	508	-	13	73	399	485
<b>Total</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>238</b>	<b>508</b>	<b>-</b>	<b>13</b>	<b>73</b>	<b>399</b>	<b>485</b>
<b>Total debt securities</b>	<b>5</b>	<b>54,182</b>	<b>74,743</b>	<b>4,662</b>	<b>133,592</b>	<b>5</b>	<b>25,797</b>	<b>111,606</b>	<b>5,519</b>	<b>142,927</b>

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

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Banking and finance sector	1	1	1	1



## 9. Investments in subsidiary and associated companies

### 9.1 Separate financial statements

As at 31 December 2018 and 2017, investments in subsidiary and associated companies in the separate financial statements stated under the cost method, consist of investment in ordinary shares of the following 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 years	
	2018	2017	2018	2017	2018	2017	2018	2017
<b><u>Subsidiary companies</u></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	1,245	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	750	751
Thanachart Group Leasing Co., Ltd.	360	360	100	100	400	400	-	14
Thanachart Broker Co., Ltd.	100	100	100	100	104	104	100	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>					6,543	6,543	2,827	2,485
Less: Allowance for impairment					(5)	(5)		
<b>Total investments in subsidiary companies - net</b>					6,538	6,538		
<b><u>Associated company</u></b>								
MBK Plc.	1,695	1,708	3.41	3.46	618	632	43	51
<b>Total investment in the associated company</b>					618	632	43	51
<b>Total investments in subsidiary and associated companies</b>					7,156	7,170	2,870	2,536

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.

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

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Dividend paid to non-controlling interests during the years		Profit allocated to non-controlling interests during the years		Other comprehensive income (loss) allocated to non-controlling interests during the years	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(%)	(%)								
Ratchthani Leasing Plc.	34.82	34.82	2,401	1,835	25	177	591	452	-	-
Thanachart Fund Management Co., Ltd.	25.00	25.00	106	83	140	96	163	107	-	(1)

## 9.3 Summarised financial information, before eliminating intercompany transactions, of subsidiaries that have non-controlling interests are as follows:

### Summarised information about financial position

(Unit: Million Baht)

	Ratchthani Leasing Plc. <sup>(1)</sup>		Thanachart Fund Management Co., Ltd.	
	2018	2017	2018	2017
	Total assets	47,252	39,160	658
Total liabilities	40,357	33,889	235	214

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

### Summarised information about comprehensive income

(Unit: Million Baht)

	For the years ended 31 December			
	Ratchthani Leasing Plc. <sup>(1)</sup>		Thanachart Fund Management Co., Ltd.	
	2018	2017	2018	2017
Net operating income	2,855	2,334	1,160	845
Profit for the year	1,698	1,299	655	426
Other comprehensive income (loss)	(1)	-	-	(2)
Total comprehensive income	1,697	1,299	655	424

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

## Summarised information about cash flow

(Unit: Million Baht)

	For the years ended 31 December			
	Ratchthani Leasing Plc.		Thanachart Fund Management Co., Ltd.	
	2018	2017	2018	2017
Cash flow from (used in) operating activities	(2,236)	(8,715)	888	413
Cash flow used in investing activities	(11)	(5)	(328)	(20)
Cash flow from (used in) financing activities	2,246	8,724	(560)	(383)
Net increase (decrease) in cash	(1)	4	-	10

### 9.4 Cash flow information of an asset management company that is a subsidiary

Cash flow information of TS Asset Management Company Limited, a subsidiary, for the years ended 31 December 2018 and 2017 is as follows:

	(Unit: Million Baht)	
	2018	2017
<b>Cash flows from operating activities</b>		
Profit before income tax	123	108
Adjustments to reconcile profit before income tax		
to net cash provided by (paid for) operating activities		
Bad debt and doubtful account (reversal)	(61)	(2)
Decrease in allowance for impairment of property foreclosed and other assets	(27)	(6)
Increase in provisions	-	1
Interest income - net	(82)	(148)
Cash received from interest income	82	148
Cash paid for corporate income tax	(36)	(15)
Profit (loss) from operating activities before changes in operating assets and liabilities	(1)	86
Decrease (increase) in operating assets		
Loans to customers	278	333
Properties foreclosed	275	347
Other assets	1	(20)
Increase (decrease) in operating liabilities		
Other liabilities	7	(20)
<b>Net cash flows from operating activities</b>	<b>560</b>	<b>726</b>
<b>Cash flows from financing activities</b>		
Cash paid for dividend	(250)	(330)
<b>Net cash flows used in financing activities</b>	<b>(250)</b>	<b>(330)</b>
<b>Net increase in cash and cash equivalents</b>	<b>310</b>	<b>396</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>586</b>	<b>190</b>
<b>Cash and cash equivalents at end of the year</b>	<b>896</b>	<b>586</b>

## 9.5 Investment in the associated company in consolidated financial statements

As at 31 December 2018 and 2017, investment in the 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:

(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding (%)		Value of investment				Dividend income during the years		Share of profit during the years		Share of surplus from the change in the ownership interests in subsidiaries of the associate		Share of other comprehensive income during the years	
	2018	2017	2018	2017	Cost method		Equity method		2018	2017	2018	2017	2018	2017	2018	2017
					2018	2017	2018	2017								
MBK Plc. (operating in property rental, hotel and services businesses)	1,695	1,708	9.90	9.90	884	891	2,437	2,258	125	123	299	200	-	41	4	76
<b>Total investment in the associated company</b>					<b>884</b>	<b>891</b>	<b>2,437</b>	<b>2,258</b>	<b>125</b>	<b>123</b>	<b>299</b>	<b>200</b>	<b>-</b>	<b>41</b>	<b>4</b>	<b>76</b>

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

## 9.6 Summarised financial information of the associated company

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

Summarised information about financial position

(Unit: Million Baht)

	30 September 2018 <sup>(1)</sup>	30 September 2017 <sup>(1)</sup>
Total assets	52,119	46,668
Total liabilities	(27,201)	(23,830)
Other equity items of the associated company	221	193
<b>Net assets</b>	<b>25,139</b>	<b>23,031</b>
Shareholding percentage (%)	9.90	9.90
<b>Share of net assets</b>	<b>2,489</b>	<b>2,280</b>
Elimination entries	(323)	(296)
Goodwill	271	274
<b>Carrying amounts of the associate based on equity method</b>	<b>2,437</b>	<b>2,258</b>

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

## Summarised information about comprehensive income

(Unit: Million Baht)

	For the year ended 30 September <sup>(1)</sup>	
	2018	2017
Revenue	12,688	10,351
Profit for the year	3,020	1,864
Other comprehensive income	76	1,060
Total comprehensive income for the year	3,096	2,924

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

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

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 the associated company

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
MBK Plc.	3,440	3,263	1,186	1,141

## 10. Loans to customers and accrued interest receivables

### 10.1 Classified by loan type

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Loans to customers</u>				
Overdrafts	16,370	16,668	16,370	16,668
Loans	272,137	262,029	269,987	259,202
Notes receivables	38,390	56,178	39,419	57,747
Hire purchase receivables	486,588	425,948	432,787	381,032
Financial lease receivables	2,167	1,710	1,540	1,166
Others	181	153	181	153
Less: Deferred revenues	(66,157)	(55,127)	(60,683)	(50,463)
Total loans to customers net of deferred revenues	749,676	707,559	699,601	665,505
Add: Accrued interest receivables	645	589	646	589
Total loans to customers and accrued interest receivables net of deferred revenues	750,321	708,148	700,247	666,094
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual Approach	(8,110)	(7,962)	(4,752)	(4,424)
- Collective Approach	(7,090)	(5,820)	(7,090)	(5,820)
2) Excess provision	(8,438)	(10,237)	(7,820)	(9,632)
Less: Revaluation allowance for debt restructuring	(1)	(1)	(1)	(1)
Loans to customers and accrued interest receivables - net	726,682	684,128	680,584	646,217
<u>Securities business receivables</u>				
Credit balances receivables	3,791	4,101	-	-
Other receivables	31	15	-	-
Total securities business receivables	3,822	4,116	-	-
Less: Allowance for doubtful accounts	(13)	(14)	-	-
Securities business receivables - net	3,809	4,102	-	-
Loans to customers and accrued interest receivables - net	730,491	688,230	680,584	646,217

## 10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	741,979	-	741,979	695,860	-	695,860
US Dollar	5,519	4,538	10,057	8,555	5,570	14,125
Other currencies	92	1,370	1,462	161	1,529	1,690
Total*	747,590	5,908	753,498	704,576	7,099	711,675

\* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	688,082	-	688,082	649,690	-	649,690
US Dollar	5,519	4,538	10,057	8,555	5,570	14,125
Other currencies	92	1,370	1,462	161	1,529	1,690
Total*	693,693	5,908	699,601	658,406	7,099	665,505

\* Total loans net of deferred revenues

## 10.3 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements							
	2018							
	The Bank and a subsidiary company which is a financial institution							Other subsidiary companies
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	6,495	14	37	10	26	6,582	-	6,582
Manufacturing and commerce	69,123	222	570	517	3,842	74,274	365	74,639
Real estate and construction	46,427	138	202	41	1,545	48,353	62	48,415
Public utilities and services	52,444	110	285	142	928	53,909	128	54,037
Personal consuming								
Housing loans	97,621	1,126	1,506	852	1,862	102,967	55	103,022
Securities business	-	-	-	-	-	-	3,822	3,822
Hire purchase	343,579	25,510	1,433	1,422	694	372,638	47,996	420,634
Others	29,009	615	565	187	675	31,051	63	31,114
Others	11,066	15	-	-	152	11,233	-	11,233
Total*	655,764	27,750	4,598	3,171	9,724	701,007	52,491	753,498

\* Total loans net of deferred revenues

(Unit: Million Baht)

## Consolidated financial statements

2017

## The Bank and a subsidiary company which is a financial institution

	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total	Other	Consolidated
							subsidiary companies	
Agricultural and mining	7,141	289	30	11	24	7,495	-	7,495
Manufacturing and commerce	75,475	313	2,534	273	1,998	80,593	332	80,925
Real estate and construction	45,286	94	262	150	1,458	47,250	39	47,289
Public utilities and services	57,038	285	257	85	976	58,641	111	58,752
Personal consuming								
Housing loans	92,778	1,251	897	827	1,733	97,486	55	97,541
Securities business	-	-	-	-	-	-	4,116	4,116
Hire purchase	304,052	23,433	1,312	1,145	1,075	331,017	39,969	370,986
Others	27,259	627	497	181	559	29,123	71	29,194
Others	15,223	2	146	-	6	15,377	-	15,377
Total*	624,252	26,294	5,935	2,672	7,829	666,982	44,693	711,675

\* Total loans net of deferred revenues

(Unit: Million Baht)

## Separate financial statements

2018

	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	69,099	202	547	517	3,329	73,694
Real estate and construction	46,416	138	190	36	1,320	48,100
Public utilities and services	52,145	110	253	139	463	53,110
Personal consuming						
Housing loans	97,582	1,112	1,490	847	1,815	102,846
Hire purchase	343,216	25,475	1,431	1,420	693	372,235
Others	29,005	611	551	184	617	30,968
Others	12,094	15	-	-	7	12,116
Total*	656,019	27,677	4,499	3,153	8,253	699,601

\* Total loans net of deferred revenues



(Unit: Million Baht)

	Separate financial statements					
	2017					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agricultural and mining	7,105	289	30	5	12	7,441
Manufacturing and commerce	75,433	286	2,497	269	1,155	79,640
Real estate and construction	45,265	81	247	144	1,192	46,929
Public utilities and services	56,570	285	247	73	483	57,658
Personal consuming						
Housing loans	92,729	1,243	881	802	1,682	97,337
Hire purchase	303,734	23,409	1,311	1,143	1,074	330,671
Others	27,254	619	482	180	496	29,031
Others	16,789	2	1	-	6	16,798
<b>Total*</b>	<b>624,879</b>	<b>26,214</b>	<b>5,696</b>	<b>2,616</b>	<b>6,100</b>	<b>665,505</b>

\* Total loans net of deferred revenues

#### 10.4 Non-performing loans

As at 31 December 2018 and 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	
	2018	2017	2018	2017
Non-performing loans (excluding accrued interest receivables)				
Banking business	15,911	14,417	15,905	14,412
Securities business	45	14	-	-
Asset management business	1,582	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	
	2018	2017	2018	2017
Banking business	21,897	21,394	21,891	21,389
Securities business	45	14	-	-

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

## 10.5 Debt restructuring

During the years 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:

Type of restructuring	Consolidated financial statements				
	For the years ended 31 December				
	Number of debtors	Outstanding balance before restructuring <sup>(1)</sup>	Outstanding balance after restructuring <sup>(1)</sup>	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
<b>2018</b>					
Modification of repayment conditions	1,163	2,347	2,337		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	56	56	Land and buildings	64
<b>Total</b>	<b>1,165</b>	<b>2,403</b>	<b>2,393</b>		
<b>2017</b>					
Modification of repayment conditions	1,090	2,317	2,316		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	60	59	Land, buildings and cars	49
<b>Total</b>	<b>1,092</b>	<b>2,377</b>	<b>2,375</b>		

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

Separate financial statements					
For the years ended 31 December					
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	Fair value of assets to be transferred under agreement Million Baht
<b>2018</b>					
Modification of repayment conditions	1,133	2,252	2,242		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	1	4	4	Land and buildings	4
<b>Total</b>	<b>1,134</b>	<b>2,256</b>	<b>2,246</b>		
<b>2017</b>					
Modification of repayment conditions	1,074	2,210	2,209		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	60	59	Land, buildings and cars	49
<b>Total</b>	<b>1,076</b>	<b>2,270</b>	<b>2,268</b>		

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

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

Periods	Consolidated financial statements			
	2018		2017	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	375	796	398	1,016
Due within the year	278	645	262	850
Less than 5 years	203	263	264	204
5 - 10 years	210	420	121	193
10 - 15 years	37	132	20	52
Over 15 years	62	137	27	60
<b>Total</b>	<b>1,165</b>	<b>2,393</b>	<b>1,092</b>	<b>2,375</b>

Periods	Separate financial statements			
	2018		2017	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	375	796	397	1,013
Due within the year	256	543	253	779
Less than 5 years	197	234	263	202
5 - 10 years	208	416	119	189
10 - 15 years	36	120	17	25
Over 15 years	62	137	27	60
Total	1,134	2,246	1,076	2,268

Supplemental information for the years 2018 and 2017 relating to restructured loans is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Interest income recognised in the statements of comprehensive income	658	858	582	727
Cash repayment from receivables	2,608	3,487	2,297	3,020
Properties foreclosed received for debts settlement	73	73	13	73
Loss on debt restructuring (net of allowance for doubtful accounts as previously recorded)	9	-	9	-

As at 31 December 2018 and 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	
	2018	2017	2018	2017	2018	2017
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Bank Plc.	6,430	8,465	7,829	8,240	1,532	1,772
TS Asset Management Co., Ltd.	190	238	1,926	2,580	1,180	1,771

## 10.6 Hire purchase/Financial lease receivables

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

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2018				
Amounts due under lease agreements				
	Less than			Total
	1 year *	1 - 5 years	Over 5 years	
Gross investment in the lease	116,687	324,323	47,745	488,755
Less: Unearned finance income	(21,221)	(41,495)	(3,438)	(66,154)
Present value of minimum lease payments receivables	95,466	282,828	44,307	422,601
Allowance for doubtful accounts				(10,493)
Hire purchase/Financial lease receivables - net				412,108

\* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2017				
Amounts due under lease agreements				
	Less than			Total
	1 year *	1 - 5 years	Over 5 years	
Gross investment in the lease	113,895	287,236	26,527	427,658
Less: Unearned finance income	(18,815)	(34,899)	(1,409)	(55,123)
Present value of minimum lease payments receivables	95,080	252,337	25,118	372,535
Allowance for doubtful accounts				(9,525)
Hire purchase/Financial lease receivables - net				363,010

\* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2018

	Amounts due under lease agreements			Total
	Less than 1 year *	1 - 5 years	Over 5 years	
Gross investment in the lease	113,836	284,140	36,351	434,327
Less: Unearned finance income	(21,227)	(37,512)	(1,942)	(60,681)
Present value of minimum lease payments receivables	92,609	246,628	34,409	373,646
Allowance for doubtful accounts				(7,972)
Hire purchase/Financial lease receivables - net				365,674

\* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2017

	Amounts due under lease agreements			Total
	Less than 1 year *	1 - 5 years	Over 5 years	
Gross investment in the lease	111,117	244,760	26,321	382,198
Less: Unearned finance income	(18,802)	(30,267)	(1,390)	(50,459)
Present value of minimum lease payments receivables	92,315	214,493	24,931	331,739
Allowance for doubtful accounts				(7,224)
Hire purchase/Financial lease receivables - net				324,515

\* Included non-performing receivables

## 10.7 Classified by classification

As at 31 December 2018 and 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 balance used in making		Allowance for doubtful	
	receivables		allowance for doubtful		accounts	
	2018	2017	2018	2017	2018	2017
Normal	656,396	624,828	437,436	416,556	4,127	3,310
Special mention	27,759	26,304	25,868	23,844	2,438	2,336
Substandard	4,602	5,938	2,359	2,977	1,617	2,219
Doubtful	3,171	2,672	1,947	1,490	1,155	823
Doubtful of loss	9,724	7,829	3,959	3,651	3,562	3,013
Total	<u>701,652</u>	<u>667,571</u>	<u>471,569</u>	<u>448,518</u>	12,899	11,701
Additional allowance for possible uncollectability debts					<u>8,218</u>	<u>10,017</u>
Total					<u>21,117</u>	<u>21,718</u>

(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 balance used in making		Allowance for doubtful	
	receivables		allowance for doubtful		accounts	
	2018	2017	2018	2017	2018	2017
Normal	656,652	625,455	438,168	417,646	4,134	3,321
Special mention	27,686	26,224	25,861	23,829	2,438	2,336
Substandard	4,503	5,699	2,333	2,785	1,590	2,027
Doubtful	3,153	2,616	1,947	1,484	1,155	816
Doubtful of loss	8,253	6,100	2,921	2,381	2,525	1,744
Total	<u>700,247</u>	<u>666,094</u>	<u>471,230</u>	<u>448,125</u>	11,842	10,244
Additional allowance for possible uncollectability debts					<u>7,820</u>	<u>9,632</u>
Total					<u>19,662</u>	<u>19,876</u>

Percentage of allowance for doubtful accounts

	The Banks' hire purchase receivables-			
	personal consumer <sup>(2)</sup>		Other loans	
	2018	2017	2018	2017
Normal	0.93	0.71	1	1
Special mention	9.60	10.03	2	2
Substandard	47.57	40.67	100	100
Doubtful	42.88	39.66	100	100
Doubtful of loss	42.75	40.60	100	100

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

### 10.8 Loans to companies which have settlement problems

As at 31 December 2018 and 2017, loans of the 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	
	2018	2017	2018	2017	2018	2017	2018	2017
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	5	4	200	205	2	1	3	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	30	32	302	554	195	310	107	244
3. Companies which have loan settlement problems or have defaulted on the repayment	970	940	7,765	7,809	4,273	4,180	3,594	3,583



Separate financial statements

	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2018	2017	2018	2017	2018	2017	2018	2017
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	3	3	199	204	-	-	3	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	28	30	300	553	195	310	105	243
3. Companies which have loan settlement problems or have defaulted on the repayment	335	372	5,360	4,874	3,801	3,631	1,560	1,243

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

As at 31 December 2018 and 2017, a subsidiary company operating in the securities business classified securities business receivables and accrued interest receivables, and provided related allowance for doubtful accounts, in accordance with the Notification of the Securities and Exchange Commission (SEC), as follows:

(Unit: Million Baht)

	Debt balances		Allowance for doubtful accounts		Debt balances net of allowance for doubtful accounts	
	2018	2017	2018	2017	2018	2017
Normal	3,777	4,102	-	-	3,777	4,102
Substandard	33	1	1	1	32	-
Doubtful	12	13	12	13	-	-
Total	3,822	4,116	13	14	3,809	4,102

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

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

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

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

## 11. Allowance for doubtful accounts

(Unit: Million Baht)

	Consolidated financial statements									
	For the year ended 31 December 2018									
	The Bank and a subsidiary company which is a financial institution							Other subsidiary companies		Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total	Total	Total	
Balance - beginning of the year	3,310	2,336	2,219	823	3,013	10,017	21,718	2,315	24,033	
Increase (decrease) during the year	817	102	(602)	332	5,057	(1,799)	3,907	320	4,227	
Bad debts recovery	-	-	-	-	1,033	-	1,033	12	1,045	
Bad debts written-off	-	-	-	-	(5,541)	-	(5,541)	(113)	(5,654)	
<b>Balance - end of the year</b>	<b>4,127</b>	<b>2,438</b>	<b>1,617</b>	<b>1,155</b>	<b>3,562</b>	<b>8,218</b>	<b>21,117</b>	<b>2,534</b>	<b>23,651</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							Other subsidiary companies		Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	General provision	Total	Total	Total	
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>	

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2018						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	General provision	Total
Balance - beginning of the year	3,321	2,336	2,027	816	1,744	9,632	19,876
Increase (decrease) during the year	813	102	(437)	339	5,314	(1,812)	4,319
Bad debts recovery	-	-	-	-	1,000	-	1,000
Bad debts written-off	-	-	-	-	(5,533)	-	(5,533)
Balance - end of the year	4,134	2,438	1,590	1,155	2,525	7,820	19,662

(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	3,321	2,336	2,027	816	1,744	9,632	19,876

## 12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

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

### 13. Classification of assets

As at 31 December 2018 and 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						
2018						
	Loans to customers and		Investments	Properties		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
Normal	85,449	656,396	-	-	142	741,987
Special mention	-	27,759	-	-	109	27,868
Substandard	-	4,602	-	-	11	4,613
Doubtful	-	3,171	-	-	9	3,180
Doubtful of loss	-	9,724	902	324	315	11,265
<b>Total</b>	<b>85,449</b>	<b>701,652</b>	<b>902</b>	<b>324</b>	<b>586</b>	<b>788,913</b>

(Unit: Million Baht)

Consolidated financial statements						
2017						
	Loans to customers and		Investments	Properties		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
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>

(Unit: Million Baht)

## Separate financial statements

2018

	Loans to customers and		Investments	Properties		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
	Normal	86,899		656,652	-	
Special mention	-	27,686	-	-	109	27,795
Substandard	-	4,503	-	-	11	4,514
Doubtful	-	3,153	-	-	9	3,162
Doubtful of loss	-	8,253	907	310	312	9,782
<b>Total</b>	<b>86,899</b>	<b>700,247</b>	<b>907</b>	<b>310</b>	<b>583</b>	<b>788,946</b>

(Unit: Million Baht)

## Separate financial statements

2017

	Loans to customers and		Investments	Properties		Total
	Interbank and money market items	accrued interest receivables		foreclosed	Other assets	
	Normal	78,874		625,455	-	
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
<b>Total</b>	<b>78,874</b>	<b>666,094</b>	<b>304</b>	<b>316</b>	<b>614</b>	<b>746,202</b>

## 14. Properties foreclosed

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2018				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,842	68	(311)	1,599
Movable assets	447	6,043	(5,870)	620
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	535	203	(105)	633
Non-used branches				
External appraiser	368	134	(171)	331
Total properties foreclosed	3,192	6,448	(6,457)	3,183
Less: Allowance for impairment	(399)	(601)	632	(368)
Properties foreclosed - net	<u>2,793</u>	<u>5,847</u>	<u>(5,825)</u>	<u>2,815</u>

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2017				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	2,249	8	(415)	1,842
Movable assets	418	4,787	(4,758)	447
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	736	67	(268)	535
Non-used branches				
External appraiser	97	506	(235)	368
Total properties foreclosed	3,500	5,368	(5,676)	3,192
Less: Allowance for impairment	(388)	(466)	455	(399)
Properties foreclosed - net	<u>3,112</u>	<u>4,902</u>	<u>(5,221)</u>	<u>2,793</u>

(Unit: Million Baht)

Separate financial statements				
For the year ended 31 December 2018				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	745	5	(114)	636
Movable assets	345	5,490	(5,338)	497
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	325	199	(45)	479
Non-used branches				
External appraiser	368	134	(171)	331
Total properties foreclosed	1,783	5,828	(5,668)	1,943
Less: Allowance for impairment	(316)	(565)	571	(310)
Properties foreclosed - net	1,467	5,263	(5,097)	1,633

(Unit: Million Baht)

Separate financial statements				
For the year ended 31 December 2017				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	902	7	(164)	745
Movable assets	329	4,277	(4,261)	345
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	429	57	(161)	325
Non-used branches				
External appraiser	97	506	(235)	368
Total properties foreclosed	1,757	4,847	(4,821)	1,783
Less: Allowance for impairment	(313)	(417)	414	(316)
Properties foreclosed - net	1,444	4,430	(4,407)	1,467

## 15. Land, premises and equipment

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2018					
	Revaluation basis	Cost basis				
		Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2018	5,591	2,224	7,321	67	2	15,205
Additions	-	-	182	5	106	293
Transfers/disposals	(126)	(165)	(763)	(9)	(16)	(1,079)
31 December 2018	5,465	2,059	6,740	63	92	14,419
<u>Accumulated depreciation</u>						
1 January 2018	-	788	5,664	52	-	6,504
Transfers/disposals	-	(142)	(766)	(9)	-	(917)
Depreciation for the year	-	121	630	6	-	757
31 December 2018	-	767	5,528	49	-	6,344
<u>Allowance for impairment</u>						
1 January 2018	57	22	-	-	-	79
31 December 2018	57	22	-	-	-	79
<u>Net book value</u>						
31 December 2018	5,408	1,270	1,212	14	92	7,996
Depreciation charged for the years ended 31 December						
2017						835
2018						757



(Unit: Million Baht)

## Consolidated financial statements

For the year ended 31 December 2017

	Revaluation					Total
	basis	Cost basis				
	Land	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	
<u>Cost</u>						
1 January 2017	5,974	2,389	7,432	72	12	15,879
Additions	-	1	337	8	71	417
Transfers/disposals	(383)	(166)	(448)	(13)	(81)	(1,091)
31 December 2017	5,591	2,224	7,321	67	2	15,205
<u>Accumulated depreciation</u>						
1 January 2017	-	738	5,438	58	-	6,234
Transfers/disposals	-	(75)	(479)	(11)	-	(565)
Depreciation for the year	-	125	705	5	-	835
31 December 2017	-	788	5,664	52	-	6,504
<u>Allowance for impairment</u>						
1 January 2017	68	25	6	-	-	99
Decrease during the year	-	-	(6)	-	-	(6)
Transfers/disposals	(11)	(3)	-	-	-	(14)
31 December 2017	57	22	-	-	-	79
<u>Net book value</u>						
31 December 2017	5,534	1,414	1,657	15	2	8,622

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2018						
	Revaluation basis		Cost basis			Total
	Land	Buildings and improvements	Furniture, fixtures and equipment	Vehicles	Assets under installation	
<u>Cost</u>						
1 January 2018	5,517	2,094	6,166	10	1	13,788
Additions	-	-	165	-	98	263
Transfers/disposals	(126)	(42)	(255)	(4)	(16)	(443)
31 December 2018	5,391	2,052	6,076	6	83	13,608
<u>Accumulated depreciation</u>						
1 January 2018	-	775	4,609	8	-	5,392
Transfers/disposals	-	(19)	(261)	(4)	-	(284)
Depreciation for the year	-	111	590	1	-	702
31 December 2018	-	867	4,938	5	-	5,810
<u>Allowance for impairment</u>						
1 January 2018	-	-	-	-	-	-
31 December 2018	-	-	-	-	-	-
<u>Net book value</u>						
31 December 2018	5,391	1,185	1,138	1	83	7,798
Depreciation charged for the years ended 31 December						
2017						776
2018						702

(Unit: Million Baht)

	Separate financial statements					
	For the year ended 31 December 2017					
	Revaluation basis		Cost basis			
	Land	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2017	5,889	2,211	6,241	14	11	14,366
Additions	-	-	313	-	67	380
Transfers/disposals	(372)	(117)	(388)	(4)	(77)	(958)
31 December 2017	5,517	2,094	6,166	10	1	13,788
<u>Accumulated depreciation</u>						
1 January 2017	-	690	4,364	11	-	5,065
Transfers/disposals	-	(29)	(416)	(4)	-	(449)
Depreciation for the year	-	114	661	1	-	776
31 December 2017	-	775	4,609	8	-	5,392
<u>Allowance for impairment</u>						
1 January 2017	-	-	5	-	-	5
Decrease during the year	-	-	(5)	-	-	(5)
31 December 2017	-	-	-	-	-	-
<u>Net book value</u>						
31 December 2017	5,517	1,319	1,557	2	1	8,396

As at 31 December 2018 and 2017, the Bank and its subsidiaries have building, office equipment and vehicles which have been fully depreciated but are still in use, with gross carrying amounts before deducting accumulated depreciation and allowance for impairment of approximately Baht 3,931 million and Baht 3,649 million, respectively (separate financial statements: Baht 3,514 million and Baht 3,247 million, respectively).

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

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

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Land	3,992	4,088	3,978	4,074

Assumptions used in the valuation are summarised below.

	Consolidated	Separate	Result to fair value
	financial statements	financial statements	where as an increase in assumption value
Price per square wah (Baht)	6,300 - 1,000,000	8,000 - 1,000,000	Increase in fair value

### **Surplus on revaluation of assets**

Movements in surplus on revaluation of assets arising from revaluation of land of the Bank and its subsidiaries during the years ended 31 December 2018 and 2017 are summarised below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Balance - beginning of the year	1,544	1,601	1,541	1,598
Transfer out during the year	(51)	(57)	(51)	(57)
Balance - end of the year	1,493	1,544	1,490	1,541

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

## 16. Goodwill and Intangible assets

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2018					
	Goodwill	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total
<u>Cost</u>						
1 January 2018	17,951	4,100	3,061	8	174	25,294
Additions	-	-	87	-	180	267
Transfers/disposals	-	-	159	-	(159)	-
31 December 2018	17,951	4,100	3,307	8	195	25,561
<u>Accumulated amortisation</u>						
1 January 2018	-	3,423	1,630	8	-	5,061
Amortisation for the year	-	315	364	-	-	679
31 December 2018	-	3,738	1,994	8	-	5,740
<u>Allowance for impairment</u>						
1 January 2018	-	-	30	-	-	30
31 December 2018	-	-	30	-	-	30
<u>Net book value</u>						
31 December 2018	17,951	362	1,283	-	195	19,791
Remaining amortisation period (years)	-	1.25	0 - 9.99	-	-	
Amortisation expenses for the years ended 31 December						
2017						707
2018						679

(Unit: Million Baht)

## Consolidated financial statements

For the year ended 31 December 2017

	Goodwill	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total
<u>Cost</u>						
1 January 2017	17,951	4,100	2,801	8	176	25,036
Additions	-	-	116	-	145	261
Transfers/disposals	-	-	144	-	(147)	(3)
31 December 2017	17,951	4,100	3,061	8	174	25,294
<u>Accumulated amortisation</u>						
1 January 2017	-	3,040	1,310	7	-	4,357
Transfers/disposals	-	-	(3)	-	-	(3)
Amortisation for the year	-	383	323	1	-	707
31 December 2017	-	3,423	1,630	8	-	5,061
<u>Allowance for impairment</u>						
1 January 2017	-	-	30	-	-	30
31 December 2017	-	-	30	-	-	30
<u>Net book value</u>						
31 December 2017	17,951	677	1,401	-	174	20,203

(Unit: Million Baht)

	Separate financial statements				
	For the year ended 31 December 2018				
	Goodwill	Intangible assets from business combination	Computer software	Computer software under development	Total
<u>Cost</u>					
1 January 2018	17,941	3,613	2,753	158	24,465
Additions	-	-	73	147	220
Transfers/disposals	-	-	132	(132)	-
31 December 2018	17,941	3,613	2,958	173	24,685
<u>Accumulated amortisation</u>					
1 January 2018	-	2,936	1,430	-	4,366
Amortisation for the year	-	315	337	-	652
31 December 2018	-	3,251	1,767	-	5,018
<u>Allowance for impairment</u>					
1 January 2018	-	-	30	-	30
31 December 2018	-	-	30	-	30
<u>Net book value</u>					
31 December 2018	17,941	362	1,161	173	19,637
Remaining amortisation period (years)	-	1.25	0 - 9.95	-	
Amortisation expenses for the years ended 31 December					
2017					685
2018					652

(Unit: Million Baht)

	Separate financial statements				
	For the year ended 31 December 2017				
	Goodwill	Intangible assets from business combination	Computer software	Computer software under development	Total
<u>Cost</u>					
1 January 2017	17,941	3,613	2,515	176	24,245
Additions	-	-	95	125	220
Transfers/disposals	-	-	143	(143)	-
31 December 2017	17,941	3,613	2,753	158	24,465
<u>Accumulated amortisation</u>					
1 January 2017	-	2,553	1,128	-	3,681
Amortisation for the year	-	383	302	-	685
31 December 2017	-	2,936	1,430	-	4,366
<u>Allowance for impairment</u>					
1 January 2017	-	-	30	-	30
31 December 2017	-	-	30	-	30
<u>Net book value</u>					
31 December 2017	17,941	677	1,293	158	20,069

As at 31 December 2018 and 2017, the Bank and its subsidiaries have computer software which have been fully amortised but are still in use with the gross carrying amount before deducting accumulated amortisation and allowance for impairment, amounting to approximately Baht 544 million and Baht 338 million, respectively (separate financial statements: Baht 440 million and Baht 268 million, respectively).



## Goodwill

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

The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections for the consolidated operating results of the Bank and its subsidiaries covering a five-year period.

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

	<u>Rate (Percentage)</u>
Terminal growth rate	4
Discount rate	11

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

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

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

## 17. Deferred tax assets/ liabilities and income tax

### 17.1 Deferred tax assets/ liabilities

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Deferred tax assets	768	713	-	-
Deferred tax liabilities	(1,320)	(1,056)	(1,184)	(939)
Net	(552)	(343)	(1,184)	(939)

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

(Unit: Million Baht)

	Consolidated financial statements	
	2018	2017
<b>Deferred tax assets</b>		
Non-accrued interest income	71	67
Allowance for doubtful accounts - general provision/other assets	1,069	1,225
Employee benefits	540	534
Provisions	229	188
Accrued expenses	68	82
Fees income received in advance	351	363
Late payment fee income	171	175
Insurance contract liabilities	296	295
Others	491	341
	<u>3,286</u>	<u>3,270</u>
<b>Deferred tax liabilities</b>		
Assets transferred as a result of business combination	(1,087)	(1,108)
Deferred commission fee and direct expenses charged on hire purchase	(2,088)	(1,685)
Intangible assets	(72)	(135)
Others	(591)	(685)
	<u>(3,838)</u>	<u>(3,613)</u>
<b>Deferred tax liabilities</b>		
<b>Net</b>	<u>(552)</u>	<u>(343)</u>

(Unit: Million Baht)

	Separate financial statements	
	2018	2017
<b>Deferred tax assets</b>		
Non-accrued interest income	71	67
Allowance for doubtful accounts - general provision/other assets	584	787
Employee benefits	488	486
Provisions	229	188
Accrued expenses	53	65
Fees income received in advance	351	363
Late payment fee income	171	175
Others	334	173
	<u>2,281</u>	<u>2,304</u>
<b>Deferred tax liabilities</b>		
Assets transferred as a result of business combination	(1,087)	(1,108)
Deferred commission fee and direct expenses charged on hire purchase	(1,966)	(1,583)
Intangible assets	(72)	(135)
Others	(340)	(417)
	<u>(3,465)</u>	<u>(3,243)</u>
<b>Net</b>	<u>(1,184)</u>	<u>(939)</u>

## 17.2 Income tax

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<b>Current income tax:</b>				
Corporate income tax charge	2,032	864	985	-
Adjustment in respect of income tax from previous year	10	4	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	473	64	471	11
<b>Income tax expense reported in statements of comprehensive income</b>	<u>2,515</u>	<u>932</u>	<u>1,456</u>	<u>11</u>

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax relating to gains (losses)				
on changes in value of available-for-sale investments	(265)	238	(227)	175
Deferred tax relating to actuarial gains (losses)				
on defined benefit plan	(1)	(47)	-	(46)
Deferred tax relating to share of other comprehensive income of the associated company	-	7	-	-
	<u>(266)</u>	<u>198</u>	<u>(227)</u>	<u>129</u>

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	<u>17,973</u>	<u>15,301</u>	<u>15,366</u>	<u>13,147</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	3,595	3,060	3,073	2,629
Adjustment in respect of income tax from previous year	10	4	-	-
Effects of non-taxable revenue and non-deductible expenses - net	<u>(1,090)</u>	<u>(2,132)</u>	<u>(1,617)</u>	<u>(2,618)</u>
Income tax expenses reported in statements of comprehensive income	<u>2,515</u>	<u>932</u>	<u>1,456</u>	<u>11</u>

## 18. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accrued premium insurance income	470	275	-	-
Other receivables	1,700	1,397	1,210	981
Accrued interest and dividend income receivables	394	651	1,012	626
VAT refundable	962	690	670	521
Prepaid leasehold rights	91	107	91	107
Other receivables - VAT paid in advance				
for customers	251	248	193	197
Deposits	248	246	254	249
Estimated insurance claims recoveries	259	248	-	-
Receivable from clearing house	64	343	-	-
Prepaid expenses	475	438	114	137
Deposits from derivative contracts	337	525	337	525
Reinsurance assets	707	405	-	-
Others	2,352	2,058	1,977	1,719
Total	8,310	7,631	5,858	5,062
Less: Allowance for impairment	(417)	(390)	(344)	(323)
Other assets - net	7,893	7,241	5,514	4,739

## 19. Deposits

### 19.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current	12,770	11,961	12,853	12,039
Saving	352,170	295,567	353,303	296,481
Certificates of deposit	85,460	142,505	85,460	142,505
Fixed deposits				
- Less than 6 months	44,024	36,529	44,170	36,965
- 6 months and up to 1 year	41,832	63,772	42,235	63,852
- Over 1 year	215,904	165,944	215,924	165,965
Total deposits	752,160	716,278	753,945	717,807

## 19.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	751,528	1	751,529	714,538	1	714,539
US Dollar	490	29	519	1,523	31	1,554
Other currencies	109	3	112	182	3	185
<b>Total</b>	<b>752,127</b>	<b>33</b>	<b>752,160</b>	<b>716,243</b>	<b>35</b>	<b>716,278</b>

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	753,313	1	753,314	716,067	1	716,068
US Dollar	490	29	519	1,523	31	1,554
Other currencies	109	3	112	182	3	185
<b>Total</b>	<b>753,912</b>	<b>33</b>	<b>753,945</b>	<b>717,772</b>	<b>35</b>	<b>717,807</b>

## 20. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	413	-	413	418	372	790
Commercial banks	3,520	12,310	15,830	1,929	21,596	23,525
Specialised financial institutions	32	7,440	7,472	47	12,525	12,572
Other financial institutions	17,802	15,322	33,124	15,472	12,077	27,549
<b>Total domestic items</b>	<b>21,767</b>	<b>35,072</b>	<b>56,839</b>	<b>17,866</b>	<b>46,570</b>	<b>64,436</b>
<b>Foreign</b>						
US Dollar	177	13,921	14,098	274	15,263	15,537
Euro	1	-	1	1	-	1
Baht	485	532	1,017	2,221	229	2,450
<b>Total foreign items</b>	<b>663</b>	<b>14,453</b>	<b>15,116</b>	<b>2,496</b>	<b>15,492</b>	<b>17,988</b>
<b>Total</b>	<b>22,430</b>	<b>49,525</b>	<b>71,955</b>	<b>20,362</b>	<b>62,062</b>	<b>82,424</b>

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	413	-	413	418	372	790
Commercial banks	322	-	322	203	10,850	11,053
Specialised financial institutions	32	6,740	6,772	47	12,025	12,072
Other financial institutions	17,911	15,430	33,341	15,638	12,268	27,906
<b>Total domestic items</b>	<b>18,678</b>	<b>22,170</b>	<b>40,848</b>	<b>16,306</b>	<b>35,515</b>	<b>51,821</b>
<b>Foreign</b>						
US Dollar	177	13,921	14,098	274	15,263	15,537
Euro	1	-	1	1	-	1
Baht	485	532	1,017	2,221	229	2,450
<b>Total foreign items</b>	<b>663</b>	<b>14,453</b>	<b>15,116</b>	<b>2,496</b>	<b>15,492</b>	<b>17,988</b>
<b>Total</b>	<b>19,341</b>	<b>36,623</b>	<b>55,964</b>	<b>18,802</b>	<b>51,007</b>	<b>69,809</b>

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

## 21. Debt issued and borrowings

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

(Unit: Million Baht)											
Instrument	Type of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit (Baht)	Issuance unit		Consolidated financial statements		Separate financial statements	
						2018	2017	2018	2017	2018	2017
						(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, 3.10	1,000	-	1,100	-	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 - 2.80	1,000	3,865	-	3,815	-	-	-
11	Unsubordinated debentures	Year 2018	Year 2021	2.31, 2.70	1,000	1,970	-	1,970	-	-	-
12	Unsubordinated debentures	Year 2018	Year 2021	2.30, 2.50	1,000	1,110	-	1,110	-	-	-
13	Unsubordinated debentures	Year 2018	Year 2020	2.80	1,000	140	-	140	-	-	-
14	Structured notes		Year 2019					276	393	-	-
15	Promissory notes		At call	0.20 - 2.50				334	392	5	5
16	Promissory notes		Year 2019 - 2021	2.90, 3.30				289	239	-	-
<b>Total debt issued and borrowings</b>								<b>43,079</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) - 13) 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.

## 22. Provisions

(Unit: Million Baht)

	Consolidated financial statements				
	2018				
	Loss from litigation	Employee benefits	Obligations from off-balance items		Total
			Others		
Balance as at 1 January 2018	361	2,699	167	411	3,638
Employee benefits for staff					
transferred to related companies	-	(1)	-	-	(1)
Increase during the year	272	189	4	689	1,154
Utilised	(27)	(142)	(13)	(335)	(517)
Reversal of provisions	(7)	(13)	(24)	(355)	(399)
Balance as at 31 December 2018	599	2,732	134	410	3,875

(Unit: Million Baht)

## Consolidated financial statements

	2017				Total
	Loss from litigation	Employee benefits	off-balance items	Others	
Balance as at 1 January 2017	365	2,423	434	357	3,579
Increase during the year	40	833	30	1,433	2,336
Utilised	(36)	(557)	(7)	(247)	(847)
Reversal of provisions	(8)	-	(290)	(1,132)	(1,430)
Balance as at 31 December 2017	361	2,699	167	411	3,638

(Unit: Million Baht)

## Separate financial statements

	2018				Total
	Loss from litigation	Employee benefits	off-balance items	Others	
Balance as at 1 January 2018	361	2,430	167	411	3,369
Employee benefits for staff transferred to related companies	-	(2)	-	-	(2)
Increase during the year	272	156	4	689	1,121
Utilised	(27)	(132)	(13)	(335)	(507)
Reversal of provisions	(7)	(13)	(24)	(355)	(399)
Balance as at 31 December 2018	599	2,439	134	410	3,582

(Unit: Million Baht)

## Separate financial statements

	2017				Total
	Loss from litigation	Employee benefits	off-balance items	Others	
Balance as at 1 January 2017	365	2,185	434	357	3,341
Employee benefits for staff transferred from subsidiary	-	1	-	-	1
Increase during the year	40	797	30	1,433	2,300
Utilised	(36)	(553)	(7)	(247)	(843)
Reversal of provisions	(8)	-	(290)	(1,132)	(1,430)
Balance as at 31 December 2017	361	2,430	167	411	3,369

### **Long-term employee benefits**

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Defined benefit obligation at the beginning of the year</b>	2,337	2,152	2,068	1,914
Employee benefits for staff transferred to/from related companies	(1)	-	(2)	1
Included in profit or loss:				
Current service cost	165	145	140	122
Interest cost	75	72	66	64
Past service cost and gains or losses arising from the payment of benefits	(55)	(198)	(48)	(195)
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
- Demographic assumptions changes	(2)	95	(5)	98
- Financial assumptions changes	(7)	95	(4)	83
- Experience adjustments	13	46	7	47
Benefits paid	(55)	(70)	(45)	(66)
<b>Defined benefit obligation at the end of the year</b>	<b>2,470</b>	<b>2,337</b>	<b>2,177</b>	<b>2,068</b>

As at 31 December 2018 and 2017, the Bank and its subsidiaries expect to pay Baht 60 million and Baht 55 million, respectively, in long-term employee benefits during the next one year (separate financial statements: Baht 51 million and Baht 45 million, respectively).

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

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

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

	Change	(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Discount rate	Decrease 0.25%	63	62	56	55
Future salary increase rate	Increase 0.25%	61	60	54	53
Average staff turnover rate (depending on age)	Decrease 0.25%	56	55	49	49

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

On 13 December 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Bank and its subsidiaries have additional liabilities for long-term employee benefits of Baht 729 million (separate financial statements: Baht 654 million). The Bank and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 23. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Loss reserves and outstanding claims	1,590	(153)	1,437	1,684	(132)	1,552
Premium reserves	4,139	(554)	3,585	3,791	(273)	3,518
Total	5,729	(707)	5,022	5,475	(405)	5,070

### Assumptions used in determining liabilities from insurance contracts

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

### Sensitivity analysis

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

**23.1 Loss reserve and outstanding claims**

(Unit: Million Baht)

Consolidated financial statements		
	2018	2017
Balance - beginning of the year	1,684	1,558
Claims expenses for the year	4,192	3,862
Change in loss reserve and outstanding in claim and assumption	280	152
Claims expenses paid during the year	(4,566)	(3,888)
Balance - end of the year	1,590	1,684

**23.2 Unearned premium reserve**

(Unit: Million Baht)

Consolidated financial statements		
	2018	2017
Balance - beginning of the year	3,791	3,379
Premium written for the year	7,987	7,506
Premium earned for the current year	(7,639)	(7,094)
Balance - end of the year	4,139	3,791

### 23.3 Insurance risk

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

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

### 24. Other liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Other payables	2,067	1,837	1,715	1,611
Suspense cash received from account receivables	2,044	1,959	1,912	1,857
Insurance premium payable	402	303	221	261
Income received in advance	1,759	1,830	1,731	1,795
Corporate income tax payable	989	390	557	-
Others	4,085	3,964	837	836
Total other liabilities	<u>11,346</u>	<u>10,283</u>	<u>6,973</u>	<u>6,360</u>

## 25. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Surplus from business combination under common control</b>	(123)	(123)	-	-
<b>Surplus on revaluation of assets</b>	1,493	1,544	1,490	1,540
Less: The effect of deferred tax liabilities	(299)	(309)	(298)	(308)
<b>Net surplus on revaluation of assets</b>	1,194	1,235	1,192	1,232
<b>Revaluation surplus (deficit) on investments</b>				
Revaluation surplus on investments				
Available-for-sale investments				
Debt instruments	82	603	84	576
Equity instruments	762	871	133	174
Total	844	1,474	217	750
Revaluation deficit on investments				
Available-for-sale investments				
Debt instruments	(597)	(112)	(587)	(109)
Equity instruments	(516)	(303)	(306)	(180)
Total	(1,113)	(415)	(893)	(289)
<b>Total revaluation surplus (deficit) on investments</b>	(269)	1,059	(676)	461
Add (less): The effect of deferred tax liabilities	69	(197)	135	(92)
<b>Net revaluation surplus (deficit) on investments</b>	(200)	862	(541)	369
<b>Share of other comprehensive income of the associate</b>	593	590	-	-
Less: The effect of deferred tax liabilities	(59)	(59)	-	-
<b>Net share of other comprehensive income of the associate</b>	534	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>	1,441	2,542	651	1,601



## 26. Statutory reserve

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

On 23 August 2018, the Board of Directors of the Bank passed a resolution to allocate amounting Baht 345 million of net income to statutory reserve, and on 31 December 2018, the Bank additionally allocated Baht 351 million of net income for the year 2018 to the statutory reserve, a total of Baht 696 million (2017: Baht 657 million).

## 27. 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 31 December 2018 and 2017, capital funds of the Bank calculated in accordance with the BOT's regulation regarding "Elements of Capital Funds' for Commercial Bank Incorporated in Thailand", consist of the following:

	(Unit: Million Baht)	
	2018	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	1,141	1,164
Other components of equity - Revaluation deficit on investments in equity securities - net	(139)	(5)
Other components of equity - Revaluation surplus (deficit) on investments in debt securities - net	(402)	299
	124,045	117,744
Less: goodwill	(17,941)	(17,941)
Less: intangible assets	(1,623)	(1,594)
Total Common Equity Tier I capital	104,481	98,209
Total Tier I capital	104,481	98,209

	(Unit: Million Baht)	
	2018	2017
<b><u>Tier II capital</u></b>		
Reserve for assets classified as normal	7,448	7,318
Subordinated debentures	20,000	20,000
	<u>27,448</u>	<u>27,318</u>
Less: Cross holding of financial instruments included in tier II capital between commercial bank and the company operating financial business or supporting business	(70)	-
Total Tier II capital	<u>27,378</u>	<u>27,318</u>
Total capital funds	<u><u>131,859</u></u>	<u><u>125,527</u></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 31 December 2018 and 2017, the capital adequacy ratios of the Bank calculated in accordance with the BOT's regulation regarding the calculation of capital fund, dated 8 November 2012, are as follows:

	2018		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)	19.45	10.375	18.94	9.75
Total Common Equity Tier I to risk-weighted assets (percent)	15.42	6.375	14.81	5.75
Total Tier I to risk-weighted assets (percent)	15.42	7.875	14.81	7.25

The Bank will disclose qualitative and quantitative information regarding capital maintenance as at 31 December 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), within April 2019.

In addition, the Bank will disclose the maintaining Liquidity Coverage Ratio as at 31 December 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), within April 2019.

## 28. Dividends

During the years ended 31 December 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	

## 29. Interest income

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interbank and money market items	1,743	1,365	1,739	1,378
Investments and trading transactions	108	25	108	26
Investments in debt securities	2,631	3,143	2,509	3,031
Loans to customers	17,551	17,759	17,245	17,425
Hire purchase and financial lease	24,255	22,074	21,204	19,422
Total interest income	46,288	44,366	42,805	41,282

### 30. Interest expenses

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deposits	9,071	8,699	9,085	8,710
Interbank and money market items	997	792	768	593
Contribution fee to FIDF and the Deposit Protection Agency	3,482	3,348	3,482	3,348
Debts issued and borrowings				
- Subordinated debentures	-	369	-	369
- Unsubordinated debentures and short-term debentures	571	617	-	18
- Subordinated instruments	1,104	1,106	1,105	1,106
- Others	15	18	-	-
Borrowing cost	10	7	-	-
Total interest expenses	15,250	14,956	14,440	14,144

### 31. Fees and service income

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Fees and service income				
Acceptance, aval and guarantees	200	202	200	202
Brokerage fee from securities/derivatives	1,251	1,323	-	-
ATM and electronic banking services	893	886	893	886
Hire purchase fee income	1,603	1,547	1,449	1,396
Insurance brokerage fee income	2,030	1,851	2,481	2,107
Management fees	1,463	1,024	-	-
Credit card fee	1,187	1,065	1,188	1,066
Others	1,588	1,202	1,615	1,215
Total fees and service income	10,215	9,100	7,826	6,872
Fees and service expenses	(3,588)	(3,203)	(3,361)	(2,929)
Net fees and service income	6,627	5,897	4,465	3,943

### 32. Gains on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Foreign exchange and derivatives contract				
relating to foreign exchange	352	277	352	277
Derivatives contract relating to interest rate	(12)	64	(12)	64
Debt securities	(72)	94	(72)	94
Equity securities	(520)	(51)	-	-
Others	609	164	-	-
Total	357	548	268	435

### 33. Gains (losses) on investments

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Gains (losses) on disposal				
Available-for-sale securities	(125)	823	(166)	768
General investments	-	23	-	23
Investments in the associated company	16	202	15	177
Reversal of losses on impairment				
General investments	2	65	2	65
General on capital refund				
General investments	22	-	22	-
Total	<u>(85)</u>	<u>1,113</u>	<u>(127)</u>	<u>1,033</u>

### 34. Insurance premium income

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

(Unit: Million Baht)

	Consolidated	
	financial statements	
	2018	2017
Gross premium written	7,899	7,483
Less: Premium ceded to reinsurers	<u>(969)</u>	<u>(459)</u>
Net insurance premium income	6,930	7,024
Less: Unearned premium reserve increase from prior year	<u>(67)</u>	<u>(181)</u>
Total	<u>6,863</u>	<u>6,843</u>

### 35. Insurance expenses

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

	(Unit: Million Baht)	
	Consolidated	
	financial statements	
	2018	2017
Gross claim and loss adjustment expenses	4,103	3,658
Less: Claims recovery from reinsurers	(398)	(56)
Commissions and brokerage expenses	244	219
Less: Refundable commission and brokerage expenses from reinsurers	(281)	(132)
Other underwriting expenses	257	226
Total	<u>3,925</u>	<u>3,915</u>

### 36. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Bank and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to Baht 30 million (separate financial statements: Baht 24 million) to the Bank's and its subsidiaries' directors, which were approved by the Annual General Meeting of Shareholders of the Bank and its subsidiaries.

### 37. Impairment losses of loans and debt securities

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Impairment losses of loans				
Loans to customers	4,825	6,223	4,561	5,912
Interbank and money market items	(84)	22	(96)	24
Amortisation of revaluation allowance for debts restructured during the year	-	(1)	-	(1)
Total	<u>4,741</u>	<u>6,244</u>	<u>4,465</u>	<u>5,935</u>

### 38. Components of other comprehensive income

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Other comprehensive income</b>				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale investments:				
Unrealised gains (losses) during the year	(1,453)	1,987	(1,303)	1,642
Less: Reclassification of adjustment for the realised gains that included in profit or loss	125	(823)	166	(768)
	(1,328)	1,164	(1,137)	874
Share of other comprehensive income of the associate	4	76	-	-
Other comprehensive income for the year (loss)	(1,324)	1,240	(1,137)	874
Impact from related income tax				
Income tax - (gains) losses on changes in value of available-for-sale investments	265	(238)	227	(175)
Income tax - share of other comprehensive income of the associate	-	(7)	-	-
Impact from related income tax	265	(245)	227	(175)
	(1,059)	995	(910)	699
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on defined benefit plan	(4)	(236)	2	(228)
Other comprehensive income for the year (loss)	(4)	(236)	2	(228)
Income tax - actuarial (gains) losses on defined benefit plan	1	47	-	46
Impact from related income tax	1	47	-	46
	(3)	(189)	2	(182)
Other comprehensive income for the year - net of related income tax (losses)	(1,062)	806	(908)	517



### 39. Earnings per share

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

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Profit for the year (Million Baht)	14,703	13,810	13,911	13,135
Earnings per share (Baht/share)	2.42	2.28	2.29	2.17
Weighted average number of ordinary shares (Million shares)	6,065	6,065	6,065	6,065

### 40. Provident fund

The Bank, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 2 - 15 percent of their basic salaries, and the Bank and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the year 2018, the Bank and its subsidiaries contributed Baht 420 million to the fund (separate financial statements: Baht 360 million) (2017: Baht 417 million in the consolidated financial statements and Baht 359 million in the separate financial statements).

#### 41. Related party transactions

During the years, the Bank and its subsidiaries have 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 years ended 31 December				Transfer pricing policy (For the year 2018)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2018	2017	2018	2017	
<b>Transactions occurred during the years</b>					
<b>Parent company</b>					
Purchase of debt securities	1,286	266	1,286	266	At market price
Sales of debt securities	743	697	743	697	At market price
Income on supporting service	6	6	6	6	At the rate agreed under the service contract
Other income	2	2	-	-	
Interest expenses	6	-	6	-	At interest rate of 0.40 - 1.25 percent per annum
Rental expenses	6	5	5	5	At the rate agreed under the rental contract
Other expenses	38	39	38	39	
Dividend payment	3,183	2,473	3,183	2,473	As declared
<b>Subsidiary companies</b>					
Purchase of debt securities	-	-	3,157	5,376	At market price
Sales of debt securities	-	-	3,414	6,964	At market price
(Related gain (loss))	-	-	(1)	1	
Purchase/sales of forward exchange contracts	-	-	5	8	At market price
Interest income	-	-	245	202	At interest rate of 1.70 - 2.40 percent per annum
Dividend income	-	-	2,827	2,485	As declared
Fee and service income	-	-	1,310	1,078	At the rate agreed under the service contract
Income on supporting service	-	-	195	228	At the rate agreed under the service contract
Other income	-	-	24	35	

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2018)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2018	2017	2018	2017	
<b><u>Transactions occurred during the years (continued)</u></b>					
Interest expenses	-	-	83	89	At interest rate of 0.13 - 1.55 and 1.85 percent per annum
Fee and service expense	-	-	69	-	At the rate agreed under the service contract
Other expenses	-	-	184	171	
<b>Associated company</b>					
Dividend income	-	-	43	51	As declared
Other income	-	1	-	-	
Interest expenses	1	-	1	-	At interest rate of 0.40 and 1.25 percent per annum
Rental expenses	88	106	59	77	At the rate agreed under the rental contract
Other expenses	4	10	1	7	
<b>Related parties</b>					
Purchase of debt securities	5,876	10,328	5,876	10,328	At market price
Sales of debt securities	5,237	10,871	5,237	10,871	At market price
(Related gain)	-	2	-	2	
Purchase/sales of forward exchange contracts	20,310	58,439	20,305	58,431	At market price
Interest income	228	215	228	215	At interest rate of 1.30 - 4.95 and 6.08 - 7.65 percent per annum
Dividend income	48	43	24	21	As declared
Fee and service income	3	3	3	3	At the rate agreed under the service contract
Income on supporting service	5	5	5	5	At the rate agreed under the service contract
Other income	3	6	-	-	
Interest expenses	350	228	350	228	At interest rate of 0.13 - 2.92 percent per annum
Rental expenses	158	177	81	105	At the rate agreed under the rental contract
Insurance expense	26	4	-	-	At the rate agreed under the service contract
Other expense	42	47	29	31	
Dividend payment	3,061	2,377	3,061	2,377	As declared

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b><u>Parent company</u></b>				
Deposits	526	129	526	129
<b><u>Subsidiary companies</u></b>				
Interbank and money market items (assets)	-	-	3,069	2,831
Loans to customers	-	-	1,688	1,467
Deposits	-	-	1,612	1,329
Interbank and money market items (liabilities)	-	-	252	305
<b><u>Associated company</u></b>				
Deposits	177	75	177	75
<b><u>Related companies</u></b>				
Interbank and money market items (assets)	65	213	65	213
Loans to customers	5,757	6,360	5,573	5,941
Deposits	1,953	1,695	1,953	1,695
Interbank and money market items (liabilities)	13,075	13,782	13,075	13,782
Debt issued and borrowings	443	470	443	470

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

(Unit: Million Baht)

	Consolidated financial statements							
	2018							
	Assets			Liabilities				
	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
<b>Parent company</b>								
Thanachart Capital Plc.	-	-	3	26	-	-	199	-
<b>Associated company</b>								
MBK Plc.	-	-	26	327	-	-	2	-
<b>Related companies</b>								
Other related companies	11	5,575	53	1,586	13,054	400	114	1,348
	11	5,575	82	1,939	13,054	400	315	1,348

(Unit: Million Baht)

Consolidated financial statements									
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>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									
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		
<b>Parent company</b>									
Thanachart Capital Plc.	-	-	3	26	-	-	199	-	-
<b>Subsidiary companies</b>									
Thanachart Group Leasing Co., Ltd.	-	-	-	405	-	-	1	-	-
Thanachart Securities Plc.	1,450	-	649	-	192	-	4	30	
Thanachart Insurance Plc.	-	-	56	132	-	70	126	50	
Thanachart Broker Co., Ltd.	-	-	4	213	-	-	-	-	
TS Asset Management Co., Ltd.	-	-	-	896	-	-	1	-	
Ratchthani Leasing Plc.	-	1,030	-	120	-	-	-	30	
Other subsidiary companies	-	-	79	34	33	-	29	-	
<b>Associated company</b>									
MBK Plc.	-	-	18	327	-	-	1	-	
<b>Related companies</b>									
Other related companies	11	5,575	19	1,586	13,054	400	59	1,348	
	<u>1,461</u>	<u>6,605</u>	<u>828</u>	<u>3,739</u>	<u>13,279</u>	<u>470</u>	<u>420</u>	<u>1,458</u>	

Separate financial statements									
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	698
	<u>3,021</u>	<u>622</u>	<u>7,067</u>	<u>243</u>	<u>3,298</u>	<u>13,585</u>	<u>470</u>	<u>221</u>	<u>1,278</u>

As at 31 December 2018, the Bank has loans to Ratchthani Leasing Plc. amounting to Baht 1,030 million, carrying interest at rate of 2.10 percent per annum (2017: loans to Ratchthani Leasing Plc. amounting to Baht 1,570 million at interest rates of 1.85 percent per annum).

As at 31 December 2018, the Bank and its subsidiaries have investments amounting to approximately Baht 871 million (Baht 361 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (2017: Baht 947 million in the consolidated financial statements, and Baht 383 million in the separate financial statements).

As at 31 December 2018 and 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	
	2018	2017	2018	2017
Loans to customers	103	88	96	79
Deposits	1,204	1,527	1,204	1,527

Directors and management's remuneration

During the years 2018 and 2017, the Bank and its subsidiaries paid the following benefits to their key management personnel, including directors, totaled 113 persons and 121 persons, respectively (the separate financial statements: 43 persons and 46 persons, respectively):

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	645	656	338	342
Post-employment benefits	14	16	7	8
	659	672	345	350

## 42. Financial information classified by operating segment

### 42.1 Financial position and results of operations classified by business activity

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

(Unit: Million Baht)

	Consolidated financial statements			
	2018			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,046,370	28,079	(27,837)	1,046,612
Interbank and money market items (assets)	111,337	14,068	(27,837)	97,568
Investments	147,132	13,946	-	161,078
Investment in the associated company	2,437	-	-	2,437
Loans to customers and accrued interest receivables	730,491	-	-	730,491
Deposits	752,160	-	-	752,160
Interbank and money market items (liabilities)	71,955	27,837	(27,837)	71,955
Debt issued and borrowings	43,079	-	-	43,079

(Unit: Million Baht)

	Consolidated financial statements			
	2017			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,009,241	23,728	(23,412)	1,009,557
Interbank and money market items (assets)	103,179	14,884	(23,412)	94,651
Investments	158,577	8,791	-	167,368
Investment in the associated company	2,258	-	-	2,258
Loans to customers and accrued interest receivables	688,230	-	-	688,230
Deposits	716,278	-	-	716,278
Interbank and money market items (liabilities)	82,424	23,412	(23,412)	82,424
Debt issued and borrowings	39,308	-	-	39,308



(Unit: Million Baht)

Consolidated financial statements				
2018				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	46,179	785	(676)	46,288
Interest expenses	(15,250)	(676)	676	(15,250)
Net interest income	30,929	109	-	31,038
Net fees and service income	6,627	-	-	6,627
Net insurance income	2,938	-	-	2,938
Other operating income	2,636	-	-	2,636
Other operating expenses	(20,525)	-	-	(20,525)
Impairment losses of loans and debt securities	(4,741)	-	-	(4,741)
Profit before income tax	17,864	109	-	17,973
Income tax	(2,515)	-	-	(2,515)
Profit before non-controlling interests	15,349	109	-	15,458

(Unit: Million Baht)

Consolidated financial statements				
2017				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Interest income	44,295	368	(297)	44,366
Interest expenses	(14,956)	(297)	297	(14,956)
Net interest income	29,339	71	-	29,410
Net fees and service income	5,897	-	-	5,897
Net insurance income	2,928	-	-	2,928
Other operating income	3,773	(26)	-	3,747
Other operating expenses	(20,437)	-	-	(20,437)
Impairment losses of loans and debt securities	(6,244)	-	-	(6,244)
Profit before income tax	15,256	45	-	15,301
Income tax	(932)	-	-	(932)
Profit before non-controlling interests	14,324	45	-	14,369

(Unit: Million Baht)

Separate financial statements				
2018				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Total assets	983,882	28,079	(27,837)	984,124
Interbank and money market items (assets)	109,026	14,068	(27,837)	95,257
Investments	138,484	13,946	-	152,430
Investments in subsidiary and associated companies	7,156	-	-	7,156
Loans to customers and accrued interest receivables	680,584	-	-	680,584
Deposits	753,945	-	-	753,945
Interbank and money market items (liabilities)	55,964	27,837	(27,837)	55,964
Debt issued and borrowings	20,005	-	-	20,005

(Unit: Million Baht)

Separate financial statements				
2017				
	Domestic	Foreign		
	operations	operations	Eliminations	Total
Total assets	954,144	23,728	(23,412)	954,460
Interbank and money market items (assets)	103,105	14,884	(23,412)	94,577
Investments	148,657	8,791	-	157,448
Investments in subsidiary and associated companies	7,170	-	-	7,170
Loans to customers and accrued interest receivables	646,217	-	-	646,217
Deposits	717,807	-	-	717,807
Interbank and money market items (liabilities)	69,809	23,412	(23,412)	69,809
Debt issued and borrowings	20,005	-	-	20,005

(Unit: Million Baht)

	Separate financial statements			
	2018			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	42,696	785	(676)	42,805
Interest expenses	(14,440)	(676)	676	(14,440)
Net interest income	28,256	109	-	28,365
Net fees and service income	4,465	-	-	4,465
Other operating income	4,786	-	-	4,786
Other operating expenses	(17,784)	-	-	(17,784)
Impairment losses of loans and debt securities	(4,465)	-	-	(4,465)
Profit before income tax	15,258	109	-	15,367
Income tax	(1,456)	-	-	(1,456)
Profit for the year	13,802	109	-	13,911

(Unit: Million Baht)

	Separate financial statements			
	2017			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	41,211	368	(297)	41,282
Interest expenses	(14,144)	(297)	297	(14,144)
Net interest income	27,067	71	-	27,138
Net fees and service income	3,943	-	-	3,943
Other operating income	5,728	(26)	-	5,702
Other operating expenses	(17,702)	-	-	(17,702)
Impairment losses of loans and debt securities	(5,935)	-	-	(5,935)
Profit before income tax	13,101	45	-	13,146
Income tax	(11)	-	-	(11)
Profit for the year	13,090	45	-	13,135

## **42.2 Financial positions and results of operations classified by business type**

### **Identification of the Bank's operating segments**

The Bank's operating segments are identified in accordance with the Bank's organisation structure, which is determined based on the Bank's management policies. The three operating segments identified are as follows:

1. Retail banking segment: This serves individual customers, with related products offering such as deposits, housing loans, hire purchase loans, and credit card services.
2. Corporate and SME segment: This serves business customers, with related products offering such as short-term and long-term loans, and import and export trade financing.
3. Treasury, investment and other business segment: These deals with money market and investment transactions, transactions with related companies, staff welfare loans and others.

The accounting policies for segment reporting are the same as those applied by the Bank. The Bank allocates only revenue-generating assets based on the type of business. Assets that do not generate revenue are allocated to other business segment.

The chief operating decision maker reviews the operating results of each segment separately in order to make decisions on the allocation of resources to each operating segment and to assess performance. The Bank measures segment performance based on net interest income generated by each segment with net interest income being interest income and interest expenses from external customers, net of interest income and interest expenses from inter-segment lending and borrowing that is presented in the other business segment. For inter-segment borrowing, market interest rates are charged. Operating expenses are allocated in proportion to the operations of each segment. Expenses arising in respect of the assets that do not generate income, such as depreciation and leasehold amortisation, are presented in other business segment.

### **Operating segments: Thanachart Bank and its subsidiaries**

The Bank and its subsidiaries have four operating segments, which are 1) the banking segment, consisting of three segments described above 2) the securities and fund management business segment 3) the non-life insurance segment and 4) the asset management segment. Financial information of the Bank and its subsidiaries presented by segment is as follow:

(Unit: Million Baht)

For the year ended 31 December 2018

	Banking business							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	24,451	3,813	101	207	205	82	2,341	(162)	31,038
Net insurance income	-	-	-	-	1,934	-	-	1,004	2,938
Other operating income	5,056	882	3,313	2,564	154	36	1,146	(3,888)	9,263
Other operating expenses	(14,315)	(1,518)	(1,951)	(1,224)	(999)	(57)	(907)	446	(20,525)
Impairment losses of loans and debt securities	(4,854)	314	75	-	-	62	(391)	53	(4,741)
Profit before income tax	10,338	3,491	1,538	1,547	1,294	123	2,189	(2,547)	17,973
Income tax	(2,067)	(698)	1,309	(300)	(252)	(46)	(431)	(30)	(2,515)
Profit before non-controlling interest	8,271	2,793	2,847	1,247	1,042	77	1,758	(2,577)	15,458

(Unit: Million Baht)

For the year ended 31 December 2017

	Banking business							Eliminations	Consolidated
				Securities					
	Corporate		Treasury &	and fund	Non-life	Asset	Other		
	Retail	and SME	Investment	management	insurance	management	businesses		
		and others	business	business	business				
Net interest income	22,707	4,302	129	169	186	148	1,886	(117)	29,410
Net insurance income	-	-	-	-	1,899	-	-	1,029	2,928
Other operating income	4,609	665	4,371	2,408	175	26	1,041	(3,651)	9,644
Other operating expenses	(14,703)	(1,485)	(1,514)	(1,292)	(958)	(68)	(888)	471	(20,437)
Impairment losses of loans and debt securities	(3,811)	(802)	(1,322)	-	-	2	(515)	204	(6,244)
Profit before income tax	8,802	2,680	1,664	1,285	1,302	108	1,524	(2,064)	15,301
Income tax	(1,760)	(536)	2,285	(250)	(251)	(58)	(298)	(64)	(932)
Profit before non-controlling interest	7,042	2,144	3,949	1,035	1,051	50	1,226	(2,128)	14,369

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

(Unit: Million Baht)

	Banking business							Eliminations	Consolidated
				Securities					
	Corporate		Treasury &	and fund	Non-life	Asset	Other		
	Retail	and SME	Investment	management	insurance	management	businesses		
		and others	business	business	business				
Assets for segment									
As at 31 December 2018	536,719	177,411	269,994	9,557	14,494	2,573	48,496	(12,632)	1,046,612
As at 31 December 2017	482,118	205,354	266,988	12,306	13,452	2,745	40,453	(13,859)	1,009,557

### 42.3 Major customers

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

### 43. Encumbrance of assets

As at 31 December 2018 and 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	
	2018	2017	2018	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	18	18	-	-
Placed with court for stay of execution	14	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	18	24	3	19
	<u>802</u>	<u>845</u>	<u>9</u>	<u>25</u>

#### 44. Commitments and contingent liabilities

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

##### 44.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Aval to bills	303	115	303	115
Guarantees of loans	2,402	2,291	2,402	2,291
Liability under unmatured import bills	283	270	283	270
Letter of credits	759	1,045	759	1,045
Other obligations				
Committed (but not drawn) overdraft	22,341	23,832	22,341	23,832
Others	61,018	55,643	60,994	55,604
Total	87,106	83,196	87,082	83,157

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 7 to the financial statements.

**44.2** As at 31 December 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
2019	1,855	12	1,747	12	69
2020	1,348	6	1,288	5	-
2021 onward	1,361	-	1,127	-	-

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.



#### **44.3 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 31 December 2018, outstanding obligations are summarised below.

- a) There was an outstanding difference of Baht 2 million, as a result of the transfer of assets to SAM. This comprised receivables awaiting collection and the difference is presented under other assets in the statements of financial position. The remaining 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 31 December 2018, the transferred assets which SAM is re-examining totaling Baht 29 million of transactions incurred by BMB. If losses arise, Thanachart Bank will receive compensation for those from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 29 million.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to Baht 452 million, as disclosed under contingent liabilities in Note 45 to the financial statements.

d) Outstanding letters of guarantee

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

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

**45. Contingent liabilities/Litigation**

(a) As at 31 December 2018, the Bank and its subsidiaries have contingent liabilities amounting to approximately Baht 2,179 million (separate financial statements: Baht 1,963 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.

**46. Letter of guarantees**

As at 31 December 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).

## **47. Financial instruments**

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

### **47.1 Credit risk**

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

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

### **47.2 Market risk**

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

#### **a) Interest rate risk**

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

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

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

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2018			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	11,019	11,019
Interbank and money market items	1,184	88,982	7,524	97,690
Derivatives assets	-	-	2,005	2,005
Investments	-	152,343	9,189	161,532
Loans to customers <sup>(1)</sup>	213,035	540,241	222	753,498
Receivables from purchase and sale of securities	-	-	2,742	2,742
Other assets - receivable from clearing house	-	-	64	64
<b><u>Financial liabilities</u></b>				
Deposits	362,047	383,036	7,077	752,160
Interbank and money market items	17,956	52,695	1,304	71,955
Liability payable on demand	-	-	1,163	1,163
Derivatives liabilities	-	-	2,097	2,097
Debt issued and borrowings	4	43,075	-	43,079
Payables from purchase and sale of securities	-	-	1,518	1,518
Other liabilities - payable to clearing house	-	-	795	795

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

(Unit: Million Baht)

Consolidated financial statements				
2017				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	11,453	11,453
Interbank and money market items	995	87,286	6,557	94,838
Derivatives assets	-	-	2,889	2,889
Investments	-	157,860	8,563	166,423
Loans to customers <sup>(1)</sup>	220,379	491,178	118	711,675
Receivables from purchase and sale of securities	-	-	3,127	3,127
Other assets - receivable from clearing house	-	-	343	343
<b><u>Financial liabilities</u></b>				
Deposits	305,123	404,081	7,074	716,278
Interbank and money market items	16,956	63,761	1,707	82,424
Liability payable on demand	-	-	1,989	1,989
Derivatives liabilities	-	-	2,868	2,868
Debt issued and borrowings	4	39,304	-	39,308
Payables from purchase and sale of securities	-	-	2,318	2,318
Other liabilities - payable to clearing house	-	-	1,269	1,269

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

(Unit: Million Baht)

Transactions	Separate financial statements			
	2018			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	11,012	11,012
Interbank and money market items	1,062	86,872	7,471	95,405
Derivatives assets	-	-	2,001	2,001
Investments	-	147,083	6,013	153,096
Loans to customers <sup>(1)</sup>	207,063	492,316	222	699,601
Receivables from purchase and sale of securities	-	-	1,091	1,091
<b><u>Financial liabilities</u></b>				
Deposits	363,180	383,604	7,161	753,945
Interbank and money market items	18,007	36,623	1,334	55,964
Liability payable on demand	-	-	1,163	1,163
Derivatives liabilities	-	-	2,093	2,093
Debt issued and borrowings	4	20,001	-	20,005
Payables from purchase and sale of securities	-	-	759	759

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

(Unit: Million Baht)

Transactions	Separate financial statements			
	2017			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	11,445	11,445
Interbank and money market items	918	87,385	6,490	94,793
Derivatives assets	-	-	2,888	2,888
Investments	-	151,838	5,151	156,989
Loans to customers <sup>(1)</sup>	213,437	451,950	118	665,505
Receivables from purchase and sale of securities	-	-	34	34
<b><u>Financial liabilities</u></b>				
Deposits	306,037	404,618	7,152	717,807
Interbank and money market items	17,076	51,007	1,726	69,809
Liability payable on demand	-	-	1,989	1,989
Derivatives liabilities	-	-	2,865	2,865
Debt issued and borrowings	4	20,001	-	20,005
Payables from purchase and sale of securities	-	-	44	44

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

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

(Unit: Million Baht)

Consolidated financial statements							
2018							
Transactions	At call	Repricing or maturity date				Total	Weighted
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		average interest rates
							Percent
<b>Financial assets</b>							
Interbank and money market items	850	86,032	2,100	-	-	88,982	1.38 - 2.18
Investments	-	58,455	12,829	75,940	5,119	152,343	1.33 - 2.45
Loans to customers	6,440	36,361	19,484	241,170	236,786	540,241	6.50 - 7.14
<b>Financial liabilities</b>							
Deposits	18	127,523	212,007	43,488	-	383,036	1.60
Interbank and money market items	920	38,257	11,281	1,749	488	52,695	1.88 - 1.95
Debt issued and borrowings	330	2,476	3,124	17,215	19,930	43,075	1.00 - 5.53

(Unit: Million Baht)

Consolidated financial statements							
2017							
Transactions	At call	Repricing or maturity date				Total	Weighted
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		average interest rates
							Percent
<b>Financial assets</b>							
Interbank and money market items	750	79,073	6,963	500	-	87,286	0.35 - 2.11
Investments	-	25,859	12,767	113,647	5,587	157,860	1.90 - 3.05
Loans to customers	4,573	44,916	25,860	239,859	175,970	491,178	6.40 - 7.39
<b>Financial liabilities</b>							
Deposits	51	129,188	233,578	41,264	-	404,081	1.60
Interbank and money market items	1,699	39,070	20,759	1,118	1,115	63,761	1.44 - 1.90
Debt issued and borrowings	388	393	3,100	15,423	20,000	39,304	1.00 - 5.53



(Unit: Million Baht)

Separate financial statements							
2018							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	2,300	84,572	-	-	-	86,872	2.18
Investments	-	57,686	11,616	72,702	5,079	147,083	2.01
Loans to customers	6,442	35,844	17,933	205,458	226,639	492,316	6.49
<b>Financial liabilities</b>							
Deposits	18	127,786	212,311	43,489	-	383,604	1.60
Interbank and money market items	-	23,295	11,091	1,749	488	36,623	1.90
Debt issued and borrowings	1	-	-	-	20,000	20,001	5.53

(Unit: Million Baht)

Separate financial statements							
2017							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	3,470	78,523	5,392	-	-	87,385	2.01
Investments	-	24,338	12,096	109,916	5,488	151,838	1.90
Loans to customers	5,405	44,776	24,088	202,125	175,556	451,950	6.39
<b>Financial liabilities</b>							
Deposits	51	129,697	233,606	41,264	-	404,618	1.60
Interbank and money market items	-	38,520	10,353	1,018	1,116	51,007	1.45
Debt issued and borrowings	1	-	-	-	20,000	20,001	5.53

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

(Unit: Million Baht)

Consolidated financial statements						
For the years ended 31 December						
	2018			2017		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	87,303	1,743	2.00	59,373	1,365	2.30
Investments and trading operations	9,602	108	1.12	7,171	25	0.34
Investment in debt securities	132,209	2,631	1.99	156,769	3,143	2.00
Loans to customers/hire purchase and finance leases	710,914	41,806	5.88	681,140	39,833	5.85
<b><u>Interest bearings financial liabilities</u></b>						
Deposits	707,163	12,553	1.78	683,219	12,047	1.76
Interbank and money market items	70,952	997	1.41	67,200	792	1.18
Debt issued and borrowings	41,912	1,700	4.06	46,914	2,117	4.51

(Unit: Million Baht)

Separate financial statements						
For the years ended 31 December						
	2018			2017		
	Average balances	Interest	Average rate (%)	Average balances	Interest	Average rate (%)
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	87,480	1,739	1.99	60,555	1,378	2.28
Investments and trading operations	9,602	108	1.12	7,171	26	0.36
Investment in debt securities	126,087	2,509	1.99	150,794	3,031	2.01
Loans to customers/hire purchase and finance leases	660,221	38,449	5.82	637,606	36,847	5.78
<b><u>Interest bearings financial liabilities</u></b>						
Deposits	708,746	12,567	1.77	684,535	12,058	1.76
Interbank and money market items	57,247	768	1.34	56,514	593	1.05
Debt issued and borrowings	20,005	1,105	5.53	28,749	1,493	5.19

b) Foreign exchange risk

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

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

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

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements

2017

Australian

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

(Unit: Million Baht)

Separate financial statements

2018

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

(Unit: Million Baht)

Separate financial statements

2017

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

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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



c) Equity position risk/commodity risk

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

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

### **47.3 Liquidity risk**

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

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

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

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2018				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	11,019	-	-	-	11,019
Interbank and money market items	9,558	88,132	-	-	97,690
Derivatives assets	-	670	1,335	-	2,005
Investments	5	69,153	83,190	9,184	161,532
Loans to customers <sup>(1)</sup>	40,314	187,153	526,031	-	753,498
Receivables from purchase and sale of securities	-	2,742	-	-	2,742
Other assets - receivable from clearing house	-	64	-	-	64
<b><u>Financial liabilities</u></b>					
Deposits	364,977	342,847	44,336	-	752,160
Interbank and money market items	22,430	47,288	2,237	-	71,955
Liability payable on demand	1,163	-	-	-	1,163
Derivatives liabilities	-	703	1,394	-	2,097
Debt issued and borrowings	334	5,600	37,145	-	43,079
Payables from purchase and sale of securities	-	1,518	-	-	1,518
Other liabilities - payable to clearing house	-	795	-	-	795
<b><u>Commitments</u></b>					
Aval to bill	2	291	10	-	303
Guarantees of loans	87	2,315	-	-	2,402
Liability under unmatured import bills	57	226	-	-	283
Letter of credits	31	728	-	-	759
Other commitments	37,732	43,857	1,770	-	83,359

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

(Unit: Million Baht)

Consolidated financial statements					
2017					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	11,453	-	-	-	11,453
Interbank and money market items	8,302	86,036	500	-	94,838
Derivatives assets	-	1,069	1,820	-	2,889
Investments	5	37,333	120,552	8,533	166,423
Loans to customers <sup>(1)</sup>	39,792	195,223	476,660	-	711,675
Receivables from purchase and sale of securities	-	3,127	-	-	3,127
Other assets - receivable from clearing house	-	343	-	-	343
<b><u>Financial liabilities</u></b>					
Deposits	307,595	365,947	42,736	-	716,278
Interbank and money market items	20,362	59,828	2,234	-	82,424
Liability payable on demand	1,989	-	-	-	1,989
Derivatives liabilities	-	1,319	1,549	-	2,868
Debt issued and borrowings	392	3,493	35,423	-	39,308
Payables from purchase and sale of securities	-	2,318	-	-	2,318
Other liabilities - payable to clearing house	-	1,269	-	-	1,269
<b><u>Commitments</u></b>					
Aval to bill	2	100	13	-	115
Guarantees of loans	87	2,204	-	-	2,291
Liability under unmatured import bills	48	222	-	-	270
Letter of credits	250	795	-	-	1,045
Other commitments	38,221	39,177	2,077	-	79,475

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

(Unit: Million Baht)

Transactions	Separate financial statements				
	2018				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	11,012	-	-	-	11,012
Interbank and money market items	10,833	84,572	-	-	95,405
Derivatives assets	-	666	1,335	-	2,001
Investments	5	67,171	79,912	6,008	153,096
Loans to customers <sup>(1)</sup>	34,922	184,658	480,021	-	699,601
Receivables from purchase and sale of securities	-	1,091	-	-	1,091
<b><u>Financial liabilities</u></b>					
Deposits	366,193	343,414	44,338	-	753,945
Interbank and money market items	19,341	34,386	2,237	-	55,964
Liability payable on demand	1,163	-	-	-	1,163
Derivatives liabilities	-	699	1,394	-	2,093
Debt issued and borrowings	5	-	20,000	-	20,005
Payables from purchase and sale of securities	-	759	-	-	759
<b><u>Commitments</u></b>					
Aval to bill	2	291	10	-	303
Guarantees of loans	87	2,315	-	-	2,402
Liability under unmatured import bills	57	226	-	-	283
Letter of credits	31	728	-	-	759
Other commitments	37,732	43,857	1,746	-	83,335

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

(Unit: Million Baht)

Transactions	Separate financial statements				
	2017				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
Cash	11,445	-	-	-	11,445
Interbank and money market items	10,878	83,915	-	-	94,793
Derivatives assets	-	1,068	1,820	-	2,888
Investments	5	35,172	116,690	5,122	156,989
Loans to customers <sup>(1)</sup>	34,486	192,762	438,257	-	665,505
Receivables from purchase and sale of securities	-	34	-	-	34
<b><u>Financial liabilities</u></b>					
Deposits	308,587	366,484	42,736	-	717,807
Interbank and money market items	18,802	48,873	2,134	-	69,809
Liability payable on demand	1,989	-	-	-	1,989
Derivatives liabilities	-	1,316	1,549	-	2,865
Debt issued and borrowings	5	-	20,000	-	20,005
Payables from purchase and sale of securities	-	44	-	-	44
<b><u>Commitments</u></b>					
Aval to bill	2	100	13	-	115
Guarantees of loans	87	2,204	-	-	2,291
Liability under unmatured import bills	48	222	-	-	270
Letter of credits	250	795	-	-	1,045
Other commitments	38,221	39,177	2,038	-	79,436

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

#### 47.4 Fair value

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

(Unit: Million Baht)

	Consolidated financial statements				
	2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Assets and liabilities measured at fair value</u></b>					
Derivatives assets	1,719	1,719	-	1,719	-
Investments	156,845	156,845	5,568	151,277	-
Land, premises and equipment - land	5,408	5,408	-	-	5,408
Derivatives liabilities	1,763	1,763	2	1,761	-
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Cash	11,109	11,109	11,109	-	-
Interbank and money market items (assets)	97,568	97,568	8,708	62,689	26,171
Derivatives assets	286	315	-	315	-
Investments	4,233	8,642	-	634	8,008
Loans to customers	730,491	739,712	-	317,817	421,895
Receivables from purchase and sale of securities	2,742	2,742	-	2,742	-
Other assets - receivable from clearing house	64	64	-	64	-
Deposits	752,160	752,334	369,124	383,210	-
Interbank and money market items (liabilities)	71,955	71,956	19,260	33,275	19,421
Liability payable on demand	1,163	1,163	1,163	-	-
Derivatives liabilities	334	480	-	480	-
Debt issued and borrowings	43,079	43,355	-	43,355	-
Payables from purchase and sale of securities	1,518	1,518	-	1,518	-
Other liabilities - payable to clearing house	795	795	-	795	-

(Unit: Million Baht)

Consolidated financial statements					
2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Assets and liabilities measured at fair value</u></b>					
Derivatives assets	2,518	2,518	-	2,518	-
Investments	163,434	163,434	4,916	158,518	-
Land, premises and equipment - land	5,534	5,534	-	-	5,534
Derivatives liabilities	2,511	2,511	-	2,511	-
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Cash	11,453	11,453	11,453	-	-
Interbank and money market items (assets)	94,651	94,651	7,504	54,798	32,349
Derivatives assets	371	529	-	529	-
Investments	3,934	8,010	-	355	7,655
Loans to customers	688,230	696,177	-	324,376	371,801
Receivables from purchase and sale of securities	3,127	3,127	-	3,127	-
Other assets - receivable from clearing house	343	343	-	343	-
Deposits	716,278	716,495	312,197	404,298	-
Interbank and money market items (liabilities)	82,424	82,427	18,663	46,920	16,844
Liability payable on demand	1,989	1,989	1,989	-	-
Derivatives liabilities	357	360	-	360	-
Debt issued and borrowings	39,308	40,174	-	40,174	-
Payables from purchase and sale of securities	2,318	2,318	-	2,318	-
Other liabilities - payable to clearing house	1,269	1,269	-	1,269	-

(Unit: Million Baht)

Separate financial statements					
2018					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Assets and liabilities measured at fair value</u></b>					
Derivatives assets	1,715	1,715	-	1,715	-
Investments	148,308	148,308	2,213	146,095	-
Land, premises and equipment - land	5,391	5,391	-	-	5,391
Derivatives liabilities	1,759	1,759	-	1,759	-
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Cash	11,012	11,012	11,012	-	-
Interbank and money market items (assets)	95,257	95,257	8,533	59,118	27,606
Derivatives assets	286	315	-	315	-
Investments	4,122	8,501	-	541	7,960
Loans to customers	680,584	689,316	-	314,910	374,406
Receivables from purchase and sale of securities	1,091	1,091	-	1,091	-
Deposits	753,945	754,119	370,341	383,778	-
Interbank and money market items (liabilities)	55,964	55,965	19,342	33,383	3,240
Liability payable on demand	1,163	1,163	1,163	-	-
Derivatives liabilities	334	480	-	480	-
Debt issued and borrowings	20,005	20,278	-	20,278	-
Payables from purchase and sale of securities	759	759	-	759	-



(Unit: Million Baht)

	Separate financial statements				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Assets and liabilities measured at fair value</u></b>					
Derivatives assets	2,517	2,517	-	2,517	-
Investments	153,328	153,328	1,290	152,038	-
Land, premises and equipment - land	5,517	5,517	-	-	5,517
Derivatives liabilities	2,508	2,508	-	2,508	-
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Cash	11,445	11,445	11,445	-	-
Interbank and money market items (assets)	94,577	94,577	7,360	52,175	35,042
Derivatives assets	371	529	-	529	-
Investments	4,120	8,174	-	564	7,610
Loans to customers	646,217	653,659	-	321,702	331,957
Receivables from purchase and sale of securities	34	34	-	34	-
Deposits	717,807	718,025	313,189	404,836	-
Interbank and money market items (liabilities)	69,809	69,810	18,802	47,111	3,897
Liability payable on demand	1,989	1,989	1,989	-	-
Derivatives liabilities	357	360	-	360	-
Debt issued and borrowings	20,005	20,722	-	20,722	-
Payables from purchase and sale of securities	44	44	-	44	-

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

- Cash - The fair value is assumed to approximate its book value in the statement of financial position.
- Interbank and money market items (asset) - The fair value is assumed to approximate their book value in the statement of financial position due to their short-term nature.
- Derivatives - The fair value is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates obtained from reliable sources and adjusted to reflect counterparty credit risk, as mentioned in Note 4.23 to the financial statements.

Investments	<ul style="list-style-type: none"> <li>- The fair value of marketable securities is based on the latest bid price of the last working day of the year.</li> <li>- The fair value of debt securities is determined using the yield rates quoted by the Thai Bond Market Association or on other markets.</li> <li>- The fair value of unit trusts is determined from their net asset value, as mentioned in Note 4.3 to the financial statements.</li> <li>- The fair value of investments in non-marketable equity securities is determined using common valuation techniques such as the market approach, cost approach or income approach, as well as book value or adjusted book value.</li> </ul>
Loans to customers	<ul style="list-style-type: none"> <li>- The fair value of floating rate loans is assumed to approximate their book value, net of allowance for doubtful debt and allowance for debt restructuring.</li> <li>- The fair value of fixed rate loans is determined by discounting the expected future cash flows at the interest rate of similar loans, net of allowance for doubtful debt and deferred revenue.</li> <li>- The fair value of fixed rate loans for which revenue recognition has discontinued is assumed to approximate their book value, net of allowance for doubtful debt or to approximate the amount expected to be derived from their sale.</li> </ul>
Land, premises and equipment - land	<ul style="list-style-type: none"> <li>- The fair value of land is determined using market comparison approach which is used whereby the buying and selling prices for assets with similar characteristics are obtained.</li> </ul>
Receivables from purchase and sale of securities	<ul style="list-style-type: none"> <li>- The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.</li> </ul>
Receivable from and payable to clearing house	<ul style="list-style-type: none"> <li>- The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.</li> </ul>

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

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

## 47.5 Financial derivatives

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

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

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

(Unit: Million Baht)

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

(Unit: Million Baht)

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

**48. Events after the reporting period**

On 25 February 2019, the Board of Directors of the Bank passed a resolution to propose the payment of a dividend of Baht 0.581 per share to the ordinary shareholders, or a total of Baht 3,524 million, to be considered by the Annual General Meeting of Shareholders.

**49. Approval of financial statements**

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