

REPORT OF THE AUDITOR AND FINANCIAL STATEMENTS
EXPORT – IMPORT BANK OF THAILAND
FOR THE YEAR ENDED DECEMBER 31, 2018
(TRANSLATION)

AUDITOR'S REPORT

TO : MINISTER OF FINANCE

Opinion

The State Audit Office of the Kingdom of Thailand has audited the financial statements of Export-Import Bank of Thailand (the Bank), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the State Audit Office of the Kingdom of Thailand's opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

The State Audit Office of the Kingdom of Thailand conducted the audit in accordance with the State Audit Standards and Thai Standards on Auditing. The State Audit Office of the Kingdom of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. The State Audit Office of the Kingdom of Thailand is independent of the Bank in accordance with the ethical requirements set out in the State Audit Standards issued by the State Audit Commission and the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to the State Audit Office of the Kingdom of Thailand's audit of the financial statements, and the State Audit Office of the Kingdom of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and auditor's report thereon. The annual report is expected to be made available to the State Audit Office of the Kingdom of Thailand after the date of this auditor's report.

The State Audit Office of the Kingdom of Thailand's opinion on the financial statements does not cover the other information and the State Audit Office of the Kingdom of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the State Audit Office of the Kingdom of Thailand's responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the State Audit Office of the Kingdom of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

When the State Audit Office of the Kingdom of Thailand reads the annual report, if the State Audit Office of the Kingdom of Thailand concludes that there is a material misstatement therein, the State Audit Office of the Kingdom of Thailand is required to communicate the matter to those charged with governance.

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

The State Audit Office of the Kingdom of Thailand's 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 the State Audit Office of the Kingdom of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the State Audit Standards and 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 the State Audit Standards and Thai Standards on Auditing, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom of Thailand also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's 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.
- Obtains 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 Bank's internal controls.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes 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 Bank's ability to continue as a going concern. If the State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom of Thailand. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluates 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.

The State Audit Office of the Kingdom of Thailand communicates 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 the State Audit Office of the Kingdom of Thailand identifies during the audit.

(Signed) *Thurdpong Pongsaksri*

(Mr. Thurdpong Pongsaksri)

Director of Financial and

Procurement Audit Office No.3

(Signed) *Sunita Charounsilpa*

(Ms. Sunita Charounsilpa)

Auditor, Senior Professional Level

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

		Unit : Thousand Baht	
	Notes	December 31, 2018	December 31, 2017
<u>Assets</u>			
Cash		183	1,177
Interbank and money market items, net	6.2	2,812,404	2,004,154
Derivatives assets	6.3	243,729	347,994
Investments, net	6.4	2,345,301	2,478,194
Loans to customers and accrued interest receivables, net	6.5		
Loans to customers		108,588,565	88,600,613
Accrued interest receivables		349,926	249,957
Total loans to customers and accrued interest receivables		108,938,491	88,850,570
<u>Less</u> Deferred revenue		(2,474)	(2,416)
<u>Less</u> Allowance for doubtful accounts	6.6	(9,223,266)	(7,816,566)
<u>Less</u> Revaluation allowance for debt restructuring	6.7	(161,338)	(99,244)
Total loans to customers and accrued interest receivables, net		99,551,413	80,932,344
Loans to customers from public service account and accrued interest receivables, net			
Loans to customers from public service account			
Portion that is not subject to government compensation for damages		-	3,285,266
Accrued interest receivables from public service account			
Portion that is not subject to government compensation for damages		-	1,463
Total loans to customers from public service account and accrued interest receivables		-	3,286,729
<u>Less</u> Allowance for doubtful accounts from public service account		-	(32,853)
Total loans to customers from public service account and accrued interest receivables, net		-	3,253,876
Receivables eligible for government reimbursement		-	3,548
Properties for sale, net	6.8	381,692	804,743
Premises and equipment, net	6.9	814,710	818,669
Intangible assets, net	6.10	90,988	79,192
Reinsurance assets	6.11	246,789	121,178
Prepaid expenses		63,550	44,320
Other assets, net	6.12	15,019	11,593
Total assets		106,565,778	90,900,982

Notes to the financial statements are an integral part of these financial statements.

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2018

		Unit : Thousand Baht	
	<u>Notes</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Liabilities and Equity</u>			
Deposits	6.13	30,160,027	22,381,023
Interbank and money market items, net	6.14	18,886,853	16,107,643
Liabilities payable on demand		160,196	471,351
Derivatives liabilities	6.3	148,327	83,402
Debt issued and borrowings	6.15	34,014,430	30,183,565
Provisions	6.16	247,211	233,593
Accrued interest payables		435,710	279,170
Reserves for insurance service	6.17	522,407	291,603
Other liabilities	6.18	816,351	525,228
Total liabilities		85,391,512	70,556,578
Equity			
Capital	6.19	12,800,000	12,800,000
Paid-up capital		12,800,000	12,800,000
Other components of equity		(537)	483
Retained earnings			
Appropriated			
Legal reserve		7,183,000	6,502,000
Unappropriated		1,191,803	1,041,921
Total equity		21,174,266	20,344,404
Total liabilities and equity		106,565,778	90,900,982

Notes to the financial statements are an integral part of these financial statements.

(Miss Suttirat Rattanachot)

Chairman

(Mr. Pisit Serewiwattana)

President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Unit : Thousand Baht			
Interest income	6.25	4,917,233	3,996,899
Interest expenses	6.26	1,534,603	1,034,303
Interest income, net		3,382,630	2,962,596
Fees and service income		346,046	321,550
Fees and service expenses		91,990	76,181
Fees and service income, net	6.27	254,056	245,369
Gain (Loss) on tradings and foreign exchange transactions, net	6.28	(8,033)	52,345
Gain (Loss) on investments, net	6.29	21,499	(1,504)
Other operating income		230,075	35,477
Income from public service account	6.32.2	30,539	236,250
Total operating income		3,910,766	3,530,533
Other operating expenses			
Employee's expenses		905,913	739,420
Directors' remuneration		7,331	6,003
Premises and equipment expenses		71,570	54,817
Loss on claims and reserves for insurance service	6.30	117,403	25,337
Loss on impairment of properties for sale		10,410	16,112
Others		206,551	234,986
Total other operating expenses		1,319,178	1,076,675
Expenses from public service account	6.32.3	17,827	127,092
Impairment loss of loans and debt securities	6.31	1,208,434	966,607
Net profit		1,365,327	1,360,159
Other comprehensive income (loss)			
Item that will be reclassified subsequently to profit or loss			
Gain (Loss) on remeasuring available-for-sale securities		(1,020)	(805)
Item that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) on defined benefit plans		4,555	(8,890)
Total net other comprehensive income (loss)		3,535	(9,695)
Total comprehensive income		1,368,862	1,350,464

Notes to the financial statements are an integral part of these financial statements.

(Miss Suttirat Rattanachot)

Chairman

(Mr. Pisit Serewiwattana)

President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unit : Thousand Baht				
Notes	Capital	Other Components of Equity	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total
		Revaluation Surplus (Deficit) on Investments			
Balance as at January 1, 2017	12,800,000	1,288	5,850,000	976,152	19,627,440
Legal reserve	-	-	652,000	(652,000)	-
Remittance as the public revenue	-	-	-	(633,500)	(633,500)
Total comprehensive income	-	(805)	-	1,351,269	1,350,464
Balance as at December 31, 2017	12,800,000	483	6,502,000	1,041,921	20,344,404
Balance as at January 1, 2018	12,800,000	483	6,502,000	1,041,921	20,344,404
Legal reserve	-	-	681,000	(681,000)	-
Remittance as the public revenue 6.20	-	-	-	(539,000)	(539,000)
Total comprehensive income	-	(1,020)	-	1,369,882	1,368,862
Balance as at December 31, 2018	12,800,000	(537)	7,183,000	1,191,803	21,174,266

Notes to the financial statements are an integral part of these financial statements.

(Miss Suttirat Rattanachot)

Chairman

(Mr. Pisit Serewiwattana)

President

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unit : Thousand Baht	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net profit	1,365,327	1,360,159
Adjustments to reconcile net profit to cash received (paid) from operating activities		
Depreciation and amortization	57,353	55,550
Bad debts and doubtful accounts	1,149,830	921,658
Loss (Reversal) on debt restructuring	102,858	114,642
(Gain) Loss on disposal of assets	(449)	300
Loss (Reversal) on impairment of properties for sale	10,410	16,112
Loss (Gain) on foreign currency translation	(547,013)	(281,071)
Derivative revaluation	50,869	36,308
Loss (Gain) on disposal of investments	(21,746)	(70)
Loss (Reversal) on impairment of investments	247	1,574
Amortization of premium (discount) on debt securities	6,962	(2,961)
Increase (Decrease) in provisions	18,173	20,878
Bad debts and provision for other receivables (reversal)	(67,709)	(8,732)
Loss on claims and reserves for insurance service (reversal)	117,403	25,337
Decrease (Increase) in accrued income	(3,468)	594
Decrease (Increase) in other prepaid expenses	(19,229)	(4,793)
Increase (Decrease) in other accrued expenses	40,353	4,727
	<hr/>	<hr/>
	2,260,171	2,260,212
Interest income, net	(3,397,343)	(3,085,640)
Dividend income	(778)	(422)
Proceeds from interest income	4,811,348	4,182,151
Interest paid	(1,394,052)	(1,111,643)
Proceeds from dividend income	778	422
	<hr/>	<hr/>
Income from operations before changes in operating assets and liabilities	2,280,124	2,245,080
(Increase) Decrease in operating assets		
Interbank and money market items	(816,992)	1,245,412
Loans to customers, net	(15,973,920)	(11,769,160)
Properties for sale, net	427,460	28,263
Reinsurance assets	(41)	-
Other assets, net	(19,457)	(19,589)

Notes to the financial statements are an integral part of these financial statements.

EXPORT-IMPORT BANK OF THAILAND
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unit : Thousand Baht	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase (Decrease) in operating liabilities		
Deposits	7,759,067	5,758,559
Interbank and money market items	2,694,062	4,650,724
Liabilities payable on demand	(310,256)	90,372
Other liabilities	325,284	60,491
Net cash provided by (used in) operating activities	(3,634,669)	2,290,152
Cash flows from investing activities		
Purchases of held-to-maturity debt securities	(4,300,000)	(3,600,000)
Proceeds from redemption of held-to-maturity debt securities	4,400,000	3,400,903
Proceeds from disposal of general investments	46,390	37,644
Purchases of premises and equipment	(39,370)	(40,006)
Proceeds from disposal of premises and equipment	494	5,344
Purchases of intangible assets	(26,194)	(10,254)
Net cash provided by (used in) investing activities	81,320	(206,369)
Cash flows from financing activities		
Proceeds from debt issued and long-term borrowings	9,875,217	4,166,057
Repayments of debt issued and long-term borrowings	(5,783,862)	(5,618,720)
Remittance as the public revenue	(539,000)	(633,500)
Net cash provided by (used in) financing activities	3,552,355	(2,086,163)
Net increase (decrease) in cash and cash equivalents	(994)	(2,380)
Cash and cash equivalents at the beginning of the year	1,177	3,557
Cash and cash equivalents at the end of the year	183	1,177

Notes to the financial statements are an integral part of these financial statements.

(Miss Suttirat Rattanachot)
Chairman

(Mr. Pisit Serewiwattana)
President

EXPORT-IMPORT BANK OF THAILAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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NOTES TO THE FINANCIAL STATEMENTS
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EXPORT-IMPORT BANK OF THAILAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

Export-Import Bank of Thailand (“the Bank”) was established by the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended (“Act”), with the objective to promote and support exports, imports, and investment, both domestic and overseas, for the purpose of national development by providing credit facilities, guarantee, risk insurance or other necessary services under the provisions of this Act. The Bank’s head office is located at 1193 Phaholyothin Road, Phayathai, Phayathai, Bangkok.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation of the Financial Statements

The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed in the Accounting Act, 2000 (B.E. 2543) and presented in accordance with the Notification, issued by the Bank of Thailand, No. SorKorSor. 1/2559 dated June 29, 2016 regarding the Preparation and Announcement of the Financial Statements of Specialized Financial Institutions.

2.2 New and Revised Thai Financial Reporting Standards (TFRS)

2.2.1 The Bank has adopted the revised Thai Financial Reporting Standards (TFRS), which are effective for the financial statements beginning on or after January 1, 2018 as follows:

TAS 1	(Revised 2017)	Presentation of Financial Statements
TAS 7	(Revised 2017)	Statement of Cash Flows
TAS 8	(Revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2017)	Events after the Reporting Period
TAS 16	(Revised 2017)	Property, Plant and Equipment
TAS 17	(Revised 2017)	Leases
TAS 18	(Revised 2017)	Revenue
TAS 19	(Revised 2017)	Employee Benefits
TAS 20	(Revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21	(Revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 24	(Revised 2017)	Related Party Disclosures
TAS 29	(Revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 34	(Revised 2017)	Interim Financial Reporting

2.2 New and Revised Thai Financial Reporting Standards (TFRS) (Continued)

TAS 36 (Revised 2017)	Impairment of Assets
TAS 37 (Revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2017)	Intangible Assets
TFRS 4 (Revised 2017)	Insurance Contracts
TFRS 13 (Revised 2017)	Fair Value Measurement
TFRIC 7 (Revised 2017)	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2017)	Interim Financial Reporting and Impairment
TFRIC 21 (Revised 2017)	Levies

Adopting the revised Thai Financial Reporting Standards (TFRS) mentioned above has no material impact on the Bank's financial statements.

2.2.2 The Federation of Accounting Professions had issued new and revised Thai Financial Reporting Standards (TFRS) as follows:

1) New and revised Thai Financial Reporting Standards (TFRS), which are effective for the financial statements beginning on or after January 1, 2019

TAS 1 (Revised 2018)	Presentation of Financial Statements
TAS 2 (Revised 2018)	Inventories
TAS 7 (Revised 2018)	Statement of Cash Flows
TAS 8 (Revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2018)	Events after the Reporting Period
TAS 12 (Revised 2018)	Income Taxes
TAS 16 (Revised 2018)	Property, Plant and Equipment
TAS 17 (Revised 2018)	Leases
TAS 19 (Revised 2018)	Employee Benefits
TAS 20 (Revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2018)	Borrowing Costs
TAS 24 (Revised 2018)	Related Party Disclosures

2.2 New and Revised Thai Financial Reporting Standards (TFRS) (Continued)

TAS 26	(Revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27	(Revised 2018)	Separate Financial Statements
TAS 28	(Revised 2018)	Investments in Associates and Joint Ventures
TAS 29	(Revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33	(Revised 2018)	Earnings per Share
TAS 34	(Revised 2018)	Interim Financial Reporting
TAS 36	(Revised 2018)	Impairment of Assets
TAS 37	(Revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2018)	Intangible Assets
TAS 40	(Revised 2018)	Investment Property
TAS 41	(Revised 2018)	Agriculture
TFRS 1		First-time Adoption of Thai Financial Reporting Standards
TFRS 2	(Revised 2018)	Share-based Payment
TFRS 3	(Revised 2018)	Business Combinations
TFRS 4	(Revised 2018)	Insurance Contracts
TFRS 5	(Revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	(Revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 8	(Revised 2018)	Operating Segments
TFRS 10	(Revised 2018)	Consolidated Financial Statements
TFRS 11	(Revised 2018)	Joint Arrangements
TFRS 12	(Revised 2018)	Disclosure of Interests in Other Entities
TFRS 13	(Revised 2018)	Fair Value Measurement
TFRS 15		Revenue from Contracts with Customers
TSIC 10	(Revised 2018)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15	(Revised 2018)	Operating Leases-Incentives
TSIC 25	(Revised 2018)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27	(Revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	(Revised 2018)	Service Concession Arrangements: Disclosures
TSIC 32	(Revised 2018)	Intangible Assets-Web Site Costs

2.2 New and Revised Thai Financial Reporting Standards (TFRS) (Continued)

TFRIC 1 (Revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2018)	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2018)	Service Concession Arrangements
TFRIC 14 (Revised 2018)	TAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (Revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 20 (Revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2018)	Levies
TFRIC 22 (Revised 2018)	Foreign Currency Transactions and Advance Consideration

2) New Thai Financial Reporting Standards (TFRS), which are effective for the financial statements beginning on or after January 1, 2020

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRS 16	Leases
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The Bank has considered the impact of the above Thai Financial Reporting Standards (TFRS) and determined that they will have no material impact on the Bank's financial statements in the period of initial adoption, except for TAS 32 Financial Instruments: Presentation, TFRS 7 Financial Instruments: Disclosures, TFRS 9 Financial Instruments and TFRS 16 Leases that the Bank is presently considering the potential impact in the period of initial adoption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue Recognition

Interest income is recognized on an accrual basis, except for interest from non-performing loan of which the Bank reverses all accrued interest income. The Bank will recognize interest income from non-performing loan upon receipt.

Government and government agency grant related to compensation for interest or operating expense is recognized as revenue from public service account on an accrual basis.

Income from export credit insurance, investment insurance and stand-by claims purchase agreement are recognized as fee and service income upon the services performed.

3.2 Expense Recognition

Interest expenses are recognized on an accrual basis.

Expenses on reinsurance are recognized as fee and service expenses on an accrual basis.

3.3 Cash

Cash represents cash in hand and cash items under collection.

3.4 Derivatives

Derivatives are initially recognized at fair value on trade date and subsequently measured at fair value. The change in fair value is recognized as net gain (loss) on revaluation of derivatives which are presented as gain (loss) on tradings and foreign exchange transactions in statement of profit or loss and other comprehensive income.

The Bank computes the fair value by determining the present value using discounted cash flows method, except for the derivatives that are options which will be computed by the generally accepted option valuation methods.

3.5 Investments

Investments in marketable debt or equity securities that are acquired with the intention of holding in a short term in order to sell for profit taking from securities price changes are classified as held-for-trading investments and presented at fair value. Unrealized gain and loss from change in their fair value, and gain and loss on disposal of investments are recognized as net gain (loss) on tradings and foreign exchange transactions in the statement of profit or loss and other comprehensive income.

Investments in marketable debt or equity securities that are not classified as either held-for-trading investments, or held-to-maturity debt securities, are classified as available-for-sale investments and presented at fair value. The unrealized gain or loss from change in their fair value are recognized and presented through other comprehensive income (loss) and other components of equity. Upon disposal of the securities, such unrealized gain or loss will be reversed before recognition of gain or loss on disposal of the securities in the statement of profit or loss and other comprehensive income.

3.5 Investments (Continued)

Investments in held-to-maturity debt securities are presented at amortized cost, net of allowance for impairment. Premiums or discounts on held-to-maturities debt securities are amortized using the effective interest rate method throughout their remaining maturity. Losses on impairment are charged to the statement of profit or loss and other comprehensive income. When the circumstances that caused the impairment loss are favourably resolved or improved, the impairment reversal is recognized. On reversal, the adjusted carrying amount of the asset may not exceed the carrying amount of the asset that would have been without the prior impairment loss.

Investments in non-marketable equity securities classified as general investments are presented at cost, net of allowance for impairment. Loss on impairment is recognized in the statement of profit or loss and other comprehensive income. The loss on impairment will be reversed, if there is no more indication on impairment.

Investments in mutual fund are presented at net asset value as of the reporting date. The change in net asset value is recognized in the statement of profit or loss and other comprehensive income.

The Bank recognizes the purchase and sale of investments on the settlement date.

Interest income from debt securities is recognized on an accrual basis and presented under interest income. Dividend income from equity securities is recognized on an accrual basis and presented under other operating income.

Cost of disposed investments is calculated by using the weighted-average method.

3.6 Loans

Loans are presented at the principal amounts, except for bank overdrafts which included accrued interest receivables. Unearned discounts received in advance are presented as a deduction from loans.

The Bank recognizes and derecognizes the transaction on settlement date.

3.7 Allowance for Doubtful Accounts

The Bank sets aside the allowance for doubtful accounts based on the outstanding loan amount and the financial status, collateral, repayment ability of the individual borrowers and classification of loans in accordance with prudent banking rules as prescribed in the Bank's delinquency classification rules which are in line with the rules promulgated by the Bank of Thailand under the Notification No. SorKorSor. 14/2559 dated October 11, 2016 regarding Regulations on Asset Classification and Provisioning of Specialized Financial Institutions. The Bank thereby sets aside the allowance for doubtful accounts at the rate of 100% of the difference between the book value of loans and the present value of expected cash flows from the debtor or the present value of expected cash flows from the sale of collateral, e.g. property, leaseholds, machinery and vehicle. Moreover, the Bank will revise the collateral value on every 1 to 3 year-basis.

The Bank does not provide allowance for the loans extended in accordance with the government's policy or directive or the cabinet resolution which are covered against losses under Section 23 of the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended, and loans which are covered by the export credit insurance.

3.7 Allowance for Doubtful Accounts (Continued)

Allowance for doubtful accounts established during the period are recognized as bad debt and doubtful accounts expense in the statement of profit or loss and other comprehensive income.

Bad debt written off is deducted from the allowance for doubtful accounts and bad debt recovered is recognized as income and is presented net of bad debt and doubtful accounts expenses in the statement of profit or loss and other comprehensive income.

3.8 Troubled Debt Restructuring

The Bank analyzes borrowers' financial and business status and cash flow projections based on reasonable criteria together with supporting evidence that borrowers are able to honor the debt restructuring agreements.

In the case of the Bank receiving debt repayment by a transfer of assets or ownership interests, the fair value is adopted.

In the case of adjustment to the repayment terms and conditions, the Bank recalculates the fair value of the debt by determining the present value of future expected cash flows in accordance with the adjusted repayment conditions using the Bank's regular interest rate on the debt restructuring date as the discount rate. The difference between the new fair value and the debt amount, including principal and accrued interest, is recorded as revaluation allowance for debt restructuring. The Bank recognizes loss on debt restructuring as expenses in the statement of profit or loss and other comprehensive income in the relevant accounting period.

3.9 Properties For sale

Properties for sale consist of movable and immovable properties, acquired as debt settlement and from purchase at a court-ordered auction sale, which are stated at the lower of cost or fair value less allowance for impairment. Loss on impairment or reversal of loss on impairment is recognized as other operating expenses or income in the statement of profit or loss and other comprehensive income.

Gain or loss on disposal of properties for sale is recognized as other operating income or expenses in the statement of profit or loss and other comprehensive income upon disposal.

The Bank regularly appraises properties for sale by external appraisers on a yearly basis.

3.10 Premises, Equipment and Depreciations

Premises and equipment are presented at cost less accumulated depreciation and allowance for asset impairment (if any).

Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives, which are as follows:

- Buildings 20 - 50 years
- Building improvement 10 years
- Equipment 3 - 5 years

Gain or loss on disposal of premises and equipment is recognized as other operating income or expenses in the statement of profit or loss and other comprehensive income upon disposal.

3.11 Intangible Assets

Intangible assets consist of computer software and computer system development expense which are presented at cost less accumulated amortization and allowance for impairment (if any). Amortization is calculated by the straight-line method, based on the estimated useful life of the assets, which is between 3-5 years. The amortization is recognized as other operating expenses in the statement of profit or loss and other comprehensive income.

Gain or loss on disposal of intangible assets is recognized as other operating income or expenses in the statement of profit or loss and other comprehensive income upon disposal.

3.12 Leasehold Rights

Leasehold rights are presented at cost less accumulated amortization. Amortization is calculated by the straight-line method, based on the lease period, which is between 3-20 years. Amortization is recognized as other operating expenses in the statement of profit or loss and other comprehensive income.

3.13 Assets and Liabilities in Foreign Currencies

3.13.1 Functional Currency and Presentation Currency

The financial statements are prepared and presented in Thai Baht, which is the Bank's functional currency.

3.13.2 Translation of Foreign Currencies

The Bank translates items denominated in foreign currencies arising during the period into Thai Baht at the exchange rate prevailing at the transaction date and the foreign currency balances of monetary assets and liabilities at the reference exchange rate announced by the Bank of Thailand as at the reporting date. Gain or loss on translation of foreign currencies is recognized and presented as gain (loss) on trading and foreign exchange transactions, net.

3.14 Export Credit Insurance Services and Reserves

Export credit insurance services are recorded as the contingent liabilities from export bills insured, which are off-the statement of financial position obligations. Any payment of insurance claims is recorded as insurance claim receivables and will subsequently be recovered from foreign debtors.

Reserves for export credit insurance are as follows:

- 1) Reserves for future claims against the export credit insurance policies

The Bank would make reserves for future claims against the export credit insurance policies at the rate of 1% of the amount of export bills insured outstanding not yet claimed.

- 2) Reserves for the pending insurance claims payable

The Bank would make reserves for the pending insurance claims payable at the rate of 50% of the exposures.

- 3) Allowance for doubtful accounts on the compensated claims

The Bank would make allowance for doubtful accounts on the compensated claims equal to the difference between the net book value of receivables after deduction of reinsurance amount and the net present value of expected cash flows from the debtors after deduction of cash flow payable to reinsurer.

3.14 Export Credit Insurance Services and Reserves (Continued)

In case of any loss under the export credit insurance services which may affect the Bank's operations and/or total required capital, the Bank will request a loss compensation from the Ministry of Finance as stated in Section 24 of the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended.

3.15 Investment Insurance Services and Reserves

Investment insurance services are recorded as the contingent liabilities from investment insurance, which are off-the statements of financial position obligations. Any payment of insurance claims is recorded as insurance claim receivables and will subsequently be recovered from the government of the host countries or related parties.

Reserves for investment insurance are as follows:

1) Reserves for future claims against the investment insurance policies

The Bank would make reserves for future claims against investment insurance policies at the rate of 50% of the annual premium received until the provisions are equal to 10% of the total amount of contingent liabilities of investment insurance.

2) Reserves for the pending insurances claims payable

The Bank would make reserves for the pending insurance claims payable at the rate of 50% of the exposures.

3) Allowance for doubtful accounts on the compensated claims

The Bank would make allowance for doubtful accounts on the compensated claims equal to the difference between the net book value of receivables after deduction of reinsurance amount and the net present value of expected cash flows from the debtors after deduction of cash flow payable to reinsurer.

In case of any loss under the investment insurance services which may affect the Bank's operations and/or total required capital, the Bank will request a loss compensation from the Ministry of Finance as stated in Section 24 of the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended.

3.16 Stand-by Claims Purchase Agreement Services and Reserves

Stand-by claims purchase agreement services are recorded as the contingent liabilities from stand-by claims purchase agreement, which are off-the statements of financial position obligations. Any payment of such stand-by claims purchase agreement services is recorded as stand-by claims receivables and will subsequently be recovered from debtors.

Reserves for stand-by claims purchase agreement are as follows:

1) Reserves for the future service claims against the stand-by claims purchase agreement policies

The Bank would make reserves for future service claims against the stand-by claims purchase agreement policies at the rate of 1% of the amount of stand-by claims purchase agreement outstanding not yet claimed.

3.16 Stand-by Claims Purchase Agreement Services and Reserves (Continued)

Reserves for stand-by claims purchase agreement are as follows:

2) Reserves for the pending claims payable

The Bank would make reserves for the pending claims of such stand-by claims purchase agreement service at the rate of 50% of the exposures.

3) Allowance for doubtful accounts on the paid purchase under the stand-by claims purchase agreement services.

The Bank would make allowance for doubtful accounts on the paid purchase under the stand-by claims purchase agreement service equal to the difference between the net book value of receivables after deduction of reinsurance amount and the net present value of expected cash flows from the debtors after deduction of cash flow payable to reinsurer.

3.17 Provisions

The Bank recognizes provisions in the statement of financial position, when the Bank has obligations arising from past events, which it becomes probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and the amount can be reliably determined. The provisions recognized in the statement of financial position include the provisions for contingent liabilities, the provision for the employee benefits and other provisions.

3.18 Post-Employment Benefits

3.18.1 Defined Contribution Plans

The Bank established a provident fund under the Provident Fund Act, 1987 (B.E. 2530), which became a registered fund being approved by the Ministry of Finance on April 27, 1994. The provident fund is managed by external fund manager.

Contributions to the employee provident fund are made under the rule of "The Registered Provident Fund of Export-Import Bank of Thailand's Employee". Employees contribute to the provident fund at 3-15% of salary and the Bank's supplemental contribution is at 5.5-10% of employee's salary according to the years of employment. Upon termination of employment, employees are entitled to receive this benefit.

3.18.2 Defined Benefit Plans

The Bank has a policy to provide its employees with post-retirement benefits, payable based on salary rate and years of service of the retired employees.

The provision for the employee benefits is determined by calculating present value of the cash flows of employee benefits to be paid in the future. The calculation is based on the Projected Unit Credit Method (an actuarial technique). The Components of this calculation include employee's salaries, turnover rate, years of service and other related factors, and the discount rate being the government bond yield as disseminated by the ThaiBMA. The employee benefits are presented as part of provisions in the statement of financial position.

The actuarial gain or loss is recognized in other comprehensive income and recorded directly to the retained earnings in the period in which they arise.

3.19 Appropriation of Annual Net Profit

Section 27 of the Export-Import Bank of Thailand Act, 1993 (B.E. 2536), as amended, the Bank shall appropriate no less than half of the annual net profit as a reserve for its operations while the remainder of the net profit shall be appropriated to the capital fund and/or remitted as the public revenue.

4. RISK MANAGEMENT

4.1 Risk Profile

4.1.1 Credit Risk

The Bank has managed credit risk arising from failure by a debtor or counterparty to perform in compliance with the agreement relating to credit provision, investment and incurrence of commitments (including export credit and investment insurance). It is aimed to ensure that the quality of the Bank's credit and export credit and investment insurance is in line with that required by the relevant laws and regulations and within an acceptable risk level. A particular emphasis is put on credit extension in accordance with the government policy including Public Service Account (PSA) and promotion of international trade to enhance competitiveness of Thai exporters and importers, oversea investment, and domestic investment with a view to national development in line with the Bank's objectives.

In addition, to better respond to clients' demand, the Bank may also provide specific credit under certain economic or industrial circumstances and within appropriate risk management framework.

The Bank has clearly determined the parties responsible for the credit process under the principle of three lines of defence whereby functional duties and responsibilities are assigned to (1) perform credit transactions, (2) manage risks associated with credit transactions, and (3) examine credit transactions. The persons in charge and the delegation of duties in relation to the credit process are as follows:

(1) Perform credit transactions (First Line of Defence) comprising:

- *Credit analysis*: The person in charge analyzes credit line, financial data and other necessary information, in order to assess the borrower's status and repayment ability, and screens and concludes risk issues before submission to the approval authority.

- *Approval of credit transactions also including debt restructuring*: The Board of Directors considers and approves the structure, composition and authority in credit underwriting and approval as well as debt correction of each committee. The persons with approval authority shall have appropriate qualifications, i.e. relevant expertise and experience, capability to use reasonable judgment, etc.

- *Post-approval process and verification of post-approval proceeding*: The person in charge reviews the post-approval operation, e.g. legal documentation, collateral registration to ensure compliance with credit approval conditions, payment or incurrence of commitment to ensure accuracy and completeness, etc.

(2) **Manage risks associated with credit transactions (Second Line of Defence):** The person in charge follows up and reports risks associated with credit transaction such as credit transaction information, quality of credit and insurance portfolio, and operational performance as well as other financial data, etc. for use to support the Bank's administration and credit risk management.

(3) **Examine credit transactions (Third Line of Defence):** The person in charge examines credit transactions and operations to ensure compliance with the relevant laws, rules and regulations and reports the result of which directly to the Audit Committee.

4.1.2 Market Risk

The Bank has established a market risk management policy, which is reviewed annually, for use as its guidelines to ensure sound market risk management.

The Bank's major market risk can be classified into three types as follows:

1. Interest Rate Risk

It refers to the risk of adverse impact on the Bank's earnings or capital funds as a result of changes in interest rates on assets, liabilities and all off-statement of financial position items, which are rate-sensitive items that could affect the Bank's net interest income (NII), market value of its trading account items, and other income and expense items associated with interest rates.

2. Foreign Exchange Rate Risk

It refers to the risk of adverse impact on the Bank's earnings or capital funds as a result of fluctuations in foreign exchange rates relating to foreign currency transactions or holding of foreign currency assets or liabilities.

3. Equity Price Risk

It refers to the risk of adverse impact on the Bank's earnings or capital funds as a result of changes in equity instrument prices.

In this regard, the Bank focuses on implementing the strategy of managing market risk with appropriate costs and returns taken into account. There is clear segregation of authority and delegation of authority among business units relating to market risk management. The Bank has defined and delegated approval authority together with relevant criteria in writing, as well as designated the use of market risk assessment, monitoring and management approaches that cover both banking book and trading book positions in alignment with the complexity of the respective transactions so as to ensure that the Bank's market risk is contained within the acceptable level in line with and in response to the public-sector equity holder and the Bank's vision and mission.

4.1.3 Liquidity Risk

The Bank has established a liquidity risk management policy, which is reviewed on a yearly basis, for use as guidelines in preventing risk incurred from the Bank's inability to repay debts or obligations upon due dates as a consequence of its failure to convert assets into cash or to procure sufficient funds, or its ability to acquire adequate funds but at unacceptable finance costs, which could affect the Bank's earnings and capital funds both at present and in future. It also aims to prevent liquidity risk from the Bank's inability to mitigate or offset risk with the assets it is holding, forcing it to dispose of the assets at prices lower than the acquisition cost due to low liquidity of the assets or market liquidity shortage.

The Bank has managed liquidity with proper acquisition and distribution of short-, medium-, and long-term borrowings that match the respective asset structure. Major applications of funds are credit provision to debtors and investment in liquid assets, while sources of funds are mainly from fund raising or issuance of financial instruments both onshore and offshore such as US dollar bond issue under Euro Medium Term Note (EMTN) program, as well as maintaining connection with business partners that are its funding sources on a regular and consistent basis as part of its liquidity management.

In 2018, the Bank maintained liquidity position to serve its net fund requirement at the level higher than its internal criteria and average liquid assets higher than that required by the Bank of Thailand. Main liquid assets held by the Bank included government bonds, Bank of Thailand bonds, and treasury bills. Holding of liquid assets has been reviewed as appropriate to sufficiently accommodate settlements of debts and obligations, and ensure smooth operation under both normal and crisis situations. Moreover, report on liquidity position and operation result of which has been made on a regular basis.

The Bank has conducted liquidity stress testing on a quarterly basis in three scenarios comprising 1. institution-specific crisis, 2. market-wide crisis, and 3. combination of institution-specific and market-wide crises. It has also identified specific risk factors, both internally and externally, that may affect its liquidity according to the Bank of Thailand's guidelines. In addition, a liquidity contingency plan has been worked out to safeguard the Bank against any liquidity crisis. The plan outlines the roles, duties and responsibilities of the management and business units concerned, early warning signal, and the execution process to timely cope with the stress conditions.

As at December 31, 2018 and 2017, the Bank had significant asset and liability items classified by maturity as follows:

Unit : Million Baht

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Up to</u>	<u>Over</u>	<u>Total</u>	<u>Up to</u>	<u>Over</u>	<u>Total</u>
	<u>1 Year</u>	<u>1 Year</u>		<u>1 Year</u>	<u>1 Year</u>	
Assets						
Interbank and money market						
items, net	2,812.40	-	2,812.40	2,004.15	-	2,004.15
Investments, net	2,336.13	9.17	2,345.30	2,443.10	35.09	2,478.19
Loans	<u>47,695.50</u>	<u>60,893.07</u>	<u>108,588.57</u>	<u>36,241.68</u>	<u>55,644.20</u>	<u>91,885.88</u>
Total	<u>52,844.03</u>	<u>60,902.24</u>	<u>113,746.27</u>	<u>40,688.93</u>	<u>55,679.29</u>	<u>96,368.22</u>
Liabilities						
Deposits	29,563.53	596.50	30,160.03	21,381.02	1,000.00	22,381.02
Interbank and money market						
items, net	7,139.23	11,747.62	18,886.85	4,710.23	11,397.41	16,107.64
Debt issued and borrowings	<u>5,706.34</u>	<u>28,308.09</u>	<u>34,014.43</u>	<u>5,735.14</u>	<u>24,448.42</u>	<u>30,183.56</u>
Total	<u>42,409.10</u>	<u>40,652.21</u>	<u>83,061.31</u>	<u>31,826.39</u>	<u>36,845.83</u>	<u>68,672.22</u>

4.2 Fair Value of Financial Instruments

	Unit : Million Baht			
	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial assets				
Cash	0.18	0.18	1.18	1.18
Interbank and money market items, net	2,812.40	2,812.40	2,004.15	2,004.15
Derivatives assets	243.73	243.73	347.99	347.99
Investments, net	2,345.30	2,345.00	2,478.19	2,478.44
Loans to customers and accrued interest receivables, net	<u>99,551.41</u>	<u>99,551.41</u>	<u>84,186.22</u>	<u>84,186.22</u>
Total financial assets	<u>104,953.02</u>	<u>104,952.72</u>	<u>89,017.73</u>	<u>89,017.98</u>
Financial liabilities				
Deposits	30,160.03	30,160.03	22,381.02	22,381.02
Interbank and money market items, net	18,886.85	18,886.85	16,107.64	16,107.64
Liabilities payable on demand	160.19	160.19	471.35	471.35
Derivatives liabilities	148.33	148.33	83.40	83.40
Debt issued and borrowings	<u>34,014.43</u>	<u>34,014.43</u>	<u>30,183.56</u>	<u>30,183.56</u>
Total financial liabilities	<u>83,369.83</u>	<u>83,369.83</u>	<u>69,226.97</u>	<u>69,226.97</u>

4.3 Capital Adequacy under the Ministerial Regulations and Basel II Standard

4.3.1 Capital under the Ministerial Regulations

As at December 31, 2018, the Bank was able to maintain capital adequacy ratio (CAR) at 18.10%, exceeding the minimum capital adequacy ratio stipulated in the Ministerial Regulation (not less than 8.0%), and its capital to insurance service contingent liabilities ratio was at 85.38%, exceeding the minimum capital to insurance service contingent liabilities ratio stipulated in the Ministerial Regulation (not less than 20.0%).

Capital Adequacy Ratio Based on the Ministerial Regulations

		Unit : Million Baht	
	<u>Ministerial</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Regulations</u>		
1. Capital *		20,106.98	19,251.82
2. Risk assets **		111,096.07	90,353.75
3. Insurance service contingent liabilities		23,549.16	17,609.58
4. Capital to risk assets	Not less than 8%	18.10%	21.31%
5. Capital to insurance service contingent liabilities	Not less than 20%	85.38%	109.33%

Remarks : * Capital under the Ministerial Regulations includes only Teir 1 capital.

** Risk assets have been calculated from credit risk assets according to the Ministerial Regulation, which excluded insurance service contingent liabilities.

4.3.2 Capital under Basel II Standard

As at December 31, 2018 and 2017, the Bank's capital adequacy ratio under Basel II standard were as follows:

Capital Structure Based on Basel II Standard		Unit: Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Tier 1 Capital			
Paid-up capital	12,800.00	12,800.00	
Legal reserve	7,183.00	6,502.00	
Net income (loss) after appropriation	<u>123.98</u>	<u>(50.18)</u>	
Total Tier 1 Capital	20,106.98	19,251.82	
Tier 2 Capital			
Provision for asset classification as normal	1,687.16	1,403.82	
<u>Add</u> Revaluation surplus on investments in available-for-sale equity securities	<u>-</u>	<u>0.22</u>	
Total Tier 2 Capital	<u>1,687.16</u>	<u>1,404.04</u>	
Total capital	21,794.14	20,655.86	
<u>Less</u> Revaluation deficit on investments in available-for-sale equity securities	<u>(0.54)</u>	<u>-</u>	
Total capital under Basel II standard	<u>21,793.60</u>	<u>20,655.86</u>	

Capital Adequacy Ratio

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Tier 1 capital adequacy ratio	14.90%	17.14%
Total capital adequacy ratio	16.15%	18.39%

Unit: Million Baht

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total capital after deducting capital add-on arising from single lending limit	21,157.81	19,920.13
Total capital adequacy ratio after deducting capital add-on arising from single lending limit	15.68%	17.74%

5. ESTIMATES AND ASSUMPTIONS

In preparation of the financial statements in conformity with Thai Financial Reporting Standards, the Bank has to set up estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. However, the actual results may differ from the estimates.

The Bank reviews the estimates and assumptions on a regular basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected.

6. ADDITIONAL INFORMATION

6.1 Supplementary Information of Cash Flows

Significant non-cash items for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Increase (Decrease) in revaluation surplus on investments in equity	(1.02)	(0.81)
Increase in properties for sale from loan payment	14.82	3.64

6.2 Interbank and Money Market Items, Net (Assets)

	Unit : Million Baht					
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
Domestic items						
Bank of Thailand	24.22	-	24.22	18.84	160.00	178.84
Commercial banks	203.80	1,420.00	1,623.80	172.06	972.17	1,144.23
Specialized financial institutions	<u>0.45</u>	<u>-</u>	<u>0.45</u>	<u>0.75</u>	<u>-</u>	<u>0.75</u>
Total	228.47	1,420.00	1,648.47	191.65	1,132.17	1,323.82
<u>Add</u> Accrued interest receivables	-	-	-	-	0.06	0.06
<u>Less</u> Allowance for doubtful accounts	<u>-</u>	<u>(14.20)</u>	<u>(14.20)</u>	<u>-</u>	<u>(9.72)</u>	<u>(9.72)</u>
Total domestic items	<u>228.47</u>	<u>1,405.80</u>	<u>1,634.27</u>	<u>191.65</u>	<u>1,122.51</u>	<u>1,314.16</u>
Foreign items						
US Dollars	458.64	625.75	1,084.39	117.92	461.90	579.82
Yen	13.29	-	13.29	32.29	-	32.29
Euro	26.85	-	26.85	22.97	-	22.97
Other currencies	<u>53.53</u>	<u>-</u>	<u>53.53</u>	<u>54.88</u>	<u>-</u>	<u>54.88</u>
Total	552.31	625.75	1,178.06	228.06	461.90	689.96
<u>Add</u> Accrued interest receivables	<u>-</u>	<u>0.07</u>	<u>0.07</u>	<u>-</u>	<u>0.03</u>	<u>0.03</u>
Total foreign items	<u>552.31</u>	<u>625.82</u>	<u>1,178.13</u>	<u>228.06</u>	<u>461.93</u>	<u>689.99</u>
Total domestic and foreign items	<u>780.78</u>	<u>2,031.62</u>	<u>2,812.40</u>	<u>419.71</u>	<u>1,584.44</u>	<u>2,004.15</u>

6.3 Derivatives

As at December 31, 2018 and 2017, all derivatives were held for trading. The fair value and notional amount classified by type of risk were as follows:

Unit : Million Baht

<u>Type of Risk</u>	<u>December 31, 2018</u>		
	<u>Fair Value</u>		<u>Notional Amount</u>
	<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	102.67	109.59	17,440.84
Interest rate	<u>141.06</u>	<u>38.74</u>	<u>4,100.00</u>
Total	<u>243.73</u>	<u>148.33</u>	<u>21,540.84</u>

<u>Type of Risk</u>	<u>December 31, 2017</u>		
	<u>Fair Value</u>		<u>Notional Amount</u>
	<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	122.55	27.07	9,571.00
Interest rate	<u>225.44</u>	<u>56.33</u>	<u>4,100.00</u>
Total	<u>347.99</u>	<u>83.40</u>	<u>13,671.00</u>

As at December 31, 2018 and 2017, the proportions of derivative transactions classified by type of counterparty based on the notional amount were as follows:

<u>Counterparty</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial institutions	86.26%	74.51%
Third parties	<u>13.74%</u>	<u>25.49%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

6.4 Investments, Net

6.4.1 Available-for-Sale Securities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Domestic marketable equity securities	0.54	1.55

Unit : Million Baht

6.4.2 Held-to-Maturity Debt Securities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Cost/Amortized Cost</u>	<u>Cost/Amortized Cost</u>
Government and state enterprise securities	2,336.13	2,443.10

Unit : Million Baht

6.4.3 General Investments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Cost</u>	<u>Cost</u>
Domestic non-marketable equity securities	26.31	26.31
Mutual funds		
- Thailand Prosperity Fund 2 (TTPF2)	-	24.65
- Vayupak Fund 1 (VAYU1)	1.00	1.00
Others	<u>0.39</u>	<u>0.41</u>
Total	27.70	52.37
<u>Less</u> Allowance for impairment	<u>(19.07)</u>	<u>(18.83)</u>
Total	<u>8.63</u>	<u>33.54</u>
Total investments, net	<u>2,345.30</u>	<u>2,478.19</u>

Unit : Million Baht

6.5 Loans to Customers and Accrued Interest Receivables, Net

6.5.1 Classified by Type of Loan

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Overdrafts	291.66	321.91
Domestic loans - customers	77,419.49	59,442.37
- export bills negotiation	698.17	614.58
- staff loans	269.62	260.87
Overseas loans - foreign government agencies	1,096.34	1,160.35
- customers operating overseas	28,791.17	26,798.67
Others	<u>22.11</u>	<u>1.86</u>
Total loans to customers	108,588.56	88,600.61
<u>Less</u> Deferred revenue	<u>(2.47)</u>	<u>(2.42)</u>
Total loans to customers, net of deferred revenue	108,586.09	88,598.19
<u>Add</u> Accrued interest receivables	<u>349.92</u>	<u>249.96</u>
Total loans to customers and accrued interest receivables, net of deferred revenue	108,936.01	88,848.15
<u>Less</u> Allowance for doubtful accounts		
- Minimum allowance by BOT's regulations (Individual approach)	(4,411.03)	(3,361.33)
- Excess allowance	(4,812.24)	(4,455.24)
<u>Less</u> Revaluation allowance for debt restructuring	<u>(161.33)</u>	<u>(99.24)</u>
Total loans to customers, net	<u>99,551.41</u>	<u>80,932.34</u>

Overseas loans to foreign government agencies, extended in accordance with the Thai government monetary and fiscal policy, but not defined as loans to customers from public service account, were as follows:

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loan for National Road No.67 Construction Project (Anlong Veng – Siem Reap) The Kingdom of Cambodia	1,096.34	1,160.35

6.5.2 Classified by Currency and Residency

Unit : Million Baht

	December 31, 2018			December 31, 2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	58,339.32	11,584.94	69,924.26	44,224.24	10,672.12	54,896.36
US Dollar	15,779.77	17,821.64	33,601.41	12,944.97	17,286.89	30,231.86
Other currencies	<u>4,579.48</u>	<u>480.94</u>	<u>5,060.42</u>	<u>3,469.97</u>	<u>-</u>	<u>3,469.97</u>
Total *	<u>78,698.57</u>	<u>29,887.52</u>	<u>108,586.09</u>	<u>60,639.18</u>	<u>27,959.01</u>	<u>88,598.19</u>

* Total loans to customers, net of deferred revenue in Note 6.5.1

6.5.3 Classified by Business Type and Loan Classification

Unit : Million Baht

	December 31, 2018					
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	3,750.40	0.50	-	-	330.66	4,081.56
Manufacturing and commercial	42,612.72	554.62	537.81	249.70	2,916.38	46,871.23
Real estate and construction	4,394.55	-	-	-	41.20	4,435.75
Public utilities and services	46,889.45	5,392.98	-	0.02	27.16	52,309.61
Others	<u>887.94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887.94</u>
Total *	<u>98,535.06</u>	<u>5,948.10</u>	<u>537.81</u>	<u>249.72</u>	<u>3,315.40</u>	<u>108,586.09</u>

	December 31, 2017					
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	3,614.45	0.53	-	330.66	-	3,945.64
Manufacturing and commercial	34,287.07	155.46	50.34	121.79	2,627.86	37,242.52
Real estate and construction	1,661.25	21.81	-	-	39.40	1,722.46
Public utilities and services	44,695.32	-	-	-	114.61	44,809.93
Others	<u>877.64</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877.64</u>
Total *	<u>85,135.73</u>	<u>177.80</u>	<u>50.34</u>	<u>452.45</u>	<u>2,781.87</u>	<u>88,598.19</u>

* Total loans to customers, net of deferred revenue in Note 6.5.1

6.5.4 Classified by Loan Classification

Unit : Million Baht

	<u>December 31, 2018</u>			
	<u>Loans and</u>	<u>Net Amount Subject</u>	<u>Minimum</u>	<u>Allowance</u>
	<u>Accrued Interest</u>	<u>to Allowance for</u>	<u>Provision</u>	<u>for Doubtful</u>
	<u>Receivables</u>	<u>Doubtful Accounts</u>	<u>Rate (%)</u>	<u>Accounts</u>
	<u>Provisioning</u>			
1. Minimum allowance by BOT's regulations				
Normal	98,832.17	97,071.49	1,36,100	1,549.02
Special mention	6,000.91	5,725.83	2,25,36,100	311.61
Substandard	537.81	203.22	100	203.22
Doubtful	249.71	211.47	100	211.47
Doubtful of loss	<u>3,315.41</u>	<u>2,135.71</u>	100	<u>2,135.71</u>
Total minimum allowance by BOT's regulations	108,936.01	105,347.72		4,411.03
2. Excess allowance	<u>-</u>	<u>-</u>		<u>4,812.24</u>
Total **	<u>108,936.01</u>	<u>105,347.72</u>		<u>9,223.27</u>

	<u>December 31, 2017</u>			
	<u>Loans and</u>	<u>Net Amount Subject</u>	<u>Minimum</u>	<u>Allowance</u>
	<u>Accrued Interest</u>	<u>to Allowance for</u>	<u>Provision</u>	<u>for Doubtful</u>
	<u>Receivables</u>	<u>Doubtful Accounts</u>	<u>Rate (%)</u>	<u>Accounts</u>
	<u>Provisioning</u>			
1. Minimum allowance by BOT's regulations				
Normal	85,384.84	83,081.54	1,36,100	1,231.92
Special mention	178.65	177.80	2,36	4.28
Substandard	50.34	42.00	100	42.00
Doubtful	452.45	396.89	100	396.89
Doubtful of loss	<u>2,781.87</u>	<u>1,686.24</u>	100	<u>1,686.24</u>
Total minimum allowance by BOT's regulations	88,848.15	85,384.47		3,361.33
2. Excess allowance	<u>-</u>	<u>-</u>		<u>4,455.24</u>
Total **	<u>88,848.15</u>	<u>85,384.47</u>		<u>7,816.57</u>

** Total loans to customers and accrued interest receivables, net of deferred revenue in Note 6.5.1

6.5.5 Non-Performing Loans (NPLs)

As at December 31, 2018 and 2017, the Bank had non-performing loans which consisted of loans classified as substandard, doubtful, doubtful of loss, and loss as follows:

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
NPLs before deducting allowance for doubtful accounts	4,102.93	3,284.66
Percentage of total loans *	3.73	3.67
NPLs after deducting allowance for doubtful accounts	1,552.53	1,159.53
Percentage of net loans	1.44	1.33

* Total loans are loans to interbank and money market and loans to customers, except loans from public service account.

As at December 31, 2018 and 2017, the outstanding balance of written-down accounts, which were excluded from the financial statements, were Baht 2,597.25 million and Baht 2,967.65 million, respectively. For the years ended December 31, 2018 and 2017, the Bank recovered principal from written-down accounts in the amount of Baht 272.58 million and Baht 158.76 million, respectively, from which accounts the bank received cash in the amount of Baht 44.08 million and Baht 69.68 million, respectively.

6.5.6 Troubled Debt Restructuring

For the years ended December 31, 2018 and 2017, the Bank restructured debts as follows:

		Unit : Million Baht	
		<u>2018</u>	
<u>Type of Restructuring</u>	<u>Cases</u>	<u>Outstanding Debt</u>	
		<u>Before Restructuring</u>	<u>After Restructuring</u>
Change of repayment conditions	14	359.51	411.40

The average tenure of the above-mentioned debt restructuring was 4.86 years. As at December 31, 2018, the outstanding of such restructured loans was Baht 445.35 million.

		Unit : Million Baht	
		<u>2017</u>	
<u>Type of Restructuring</u>	<u>Cases</u>	<u>Outstanding Debt</u>	
		<u>Before Restructuring</u>	<u>After Restructuring</u>
Change of repayment conditions	5	298.83	298.83

The average tenure of the above-mentioned debt restructuring was 4.02 years. As at December 31, 2017, the outstanding of such restructured loans was Baht 307.03 million.

6.5.6 Troubled Debt Restructuring (Continued)

For the years ended December 31, 2018 and 2017, debt restructuring during the period compared to outstanding loans and accrued interest receivables net of deferred revenue were as follows:

	Unit : Million Baht			
	<u>2018</u>		<u>2017</u>	
	<u>Cases</u>	<u>Amount</u>	<u>Cases</u>	<u>Amount</u>
Debt restructuring during the year	14	359.51	5	298.83
Loans and accrued interest receivables, net of deferred revenue	2,053	108,936.02	1,694	88,848.15

As at December 31, 2018 and 2017, the Bank had outstanding restructured loans for 113 cases amounting to Baht 2,391.66 million and for 72 cases amounting to Baht 1,788.89 million, respectively.

For the years ended December 31, 2018 and 2017, the Bank recognized interest income from debt restructuring in the amount of Baht 125.74 million and Baht 90.63 million, respectively.

As at December 31, 2018, the Bank had commitments to extend additional loans to customers who had been restructured for the amount of Baht 15 million.

6.6 Allowance for Doubtful Accounts

As at December 31, 2018 and 2017, the Bank had allowance for doubtful accounts as follows:

	Unit : Million Baht						
	<u>December 31, 2018</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Excess Allowance</u>	<u>Total</u>
Beginning balance	1,231.92	4.28	42.00	396.89	1,686.24	4,455.24	7,816.57
Increase (decrease) in allowance							
for doubtful accounts	<u>317.10</u>	<u>307.33</u>	<u>161.22</u>	<u>(185.42)</u>	<u>449.47</u>	<u>357.00</u>	<u>1,406.70</u>
Ending balance	<u>1,549.02</u>	<u>311.61</u>	<u>203.22</u>	<u>211.47</u>	<u>2,135.71</u>	<u>4,812.24</u>	<u>9,223.27</u>
	<u>December 31, 2017</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Excess Allowance</u>	<u>Total</u>
Beginning balance	1,000.50	6.96	93.44	29.97	1,418.37	4,167.24	6,716.48
Increase (decrease) in allowance							
for doubtful accounts	<u>231.42</u>	<u>(2.68)</u>	<u>(51.44)</u>	<u>366.92</u>	<u>267.87</u>	<u>288.00</u>	<u>1,100.09</u>
Ending balance	<u>1,231.92</u>	<u>4.28</u>	<u>42.00</u>	<u>396.89</u>	<u>1,686.24</u>	<u>4,455.24</u>	<u>7,816.57</u>

6.6 Allowance for Doubtful Accounts (Continued)

As at December 31, 2018 and 2017, the Bank's allowance for doubtful accounts on loans accounted for Baht 9,223.27 million and Baht 7,816.57 million, respectively, exceeding the minimum provisioning requirement based on debt service ability and debt quality set out by the Bank of Thailand in the amount of Baht 4,812.24 million and Baht 4,455.24 million, respectively (Note 6.5.4). The amount of allowance for doubtful accounts in excess of the minimum requirement was based on prudent banking principles.

6.7 Revaluation Allowance for Debt Restructuring

As at December 31, 2018 and 2017, the Bank had revaluation allowance for debt restructuring as follows:

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	99.24	63.18
Increase	102.85	57.38
Decrease	<u>(40.76)</u>	<u>(21.32)</u>
Ending balance	<u>161.33</u>	<u>99.24</u>

6.8 Properties for Sale, Net

As at December 31, 2018 and 2017, the Bank had properties for sale, net as follows:

	Unit : Million Baht			
	<u>December 31, 2018</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Properties for sale				
- Immovable properties	1,054.50	14.96	545.97	523.49
- Movable properties	<u>208.02</u>	<u>-</u>	<u>184.58</u>	<u>23.44</u>
Total properties for sale	1,262.52	14.96	730.55	546.93
<u>(Less)</u> Allowance for impairment	<u>(457.78)</u>	<u>(10.84)</u>	<u>(303.38)</u>	<u>(165.24)</u>
Total properties for sale, net	<u>804.74</u>	<u>4.12</u>	<u>427.17</u>	<u>381.69</u>
	<u>December 31, 2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Properties for sale				
- Immovable properties	1,089.49	4.13	39.12	1,054.50
- Movable properties	<u>208.02</u>	<u>-</u>	<u>-</u>	<u>208.02</u>
Total properties for sale	1,297.51	4.13	39.12	1,262.52
<u>(Less)</u> Allowance for impairment	<u>(452.03)</u>	<u>(16.11)</u>	<u>(10.36)</u>	<u>(457.78)</u>
Total properties for sale, net	<u>845.48</u>	<u>(11.98)</u>	<u>28.76</u>	<u>804.74</u>

As at December 31, 2018 and 2017, the Bank had immovable properties from debt repayment in the amount of Baht 523.49 million and Baht 1,054.50 million, respectively, which were appraised by external appraisers.

6.8 Properties for Sale, Net (Continued)

For the years ended December 31, 2018 and 2017 the Bank generated gain on sale of properties for sale in the amount of Baht 223.32 million and Baht 33.90 million, respectively.

6.9 Premises and Equipment, Net

As at December 31, 2018 and 2017, the Bank had premises and equipment, net as follows:

Unit : Million Baht

	<u>December 31, 2018</u>								Premises and Equipment, Net
	Cost				Accumulated Depreciation				
	<u>Beginning Balance</u>	<u>Additions/ Transfer in</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	
Land	391.26	-	-	391.26	-	-	-	-	391.26
Buildings									
- Buildings	683.25	-	-	683.25	383.39	10.66	-	394.05	289.20
- Building improvement	133.46	7.82	0.11	141.17	125.01	2.08	0.11	126.98	14.19
Equipment									
- Office equipment and fixtures	300.40	25.56	9.52	316.44	254.24	19.83	9.50	264.57	51.87
- Vehicles	102.06	8.84	-	110.90	32.71	10.00	-	42.71	68.19
Assets under construction*	<u>3.59</u>	<u>2.62</u>	<u>6.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,614.02</u>	<u>44.84</u>	<u>15.84</u>	<u>1,643.02</u>	<u>795.35</u>	<u>42.57</u>	<u>9.61</u>	<u>828.31</u>	<u>814.71</u>

* Assets under construction-disposal/ transfer out are assets recognized during the year.

	<u>December 31, 2017</u>								Premises and Equipment, Net
	Cost				Accumulated Depreciation				
	<u>Beginning Balance</u>	<u>Additions/ Transfer in</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Disposals/ Transfer out</u>	<u>Ending Balance</u>	
Land	391.26	-	-	391.26	-	-	-	-	391.26
Buildings									
- Buildings	683.25	-	-	683.25	372.73	10.66	-	383.39	299.86
- Building improvement	131.29	2.17	-	133.46	122.46	2.55	-	125.01	8.45
Equipment									
- Office equipment and fixtures	292.46	22.70	14.76	300.40	252.51	16.49	14.76	254.24	46.16
- Vehicles	99.99	15.31	13.24	102.06	31.00	9.66	7.95	32.71	69.35
Assets pending for write off	-	4.90	4.90	-	-	-	-	-	-
Assets under construction*	<u>-</u>	<u>7.15</u>	<u>3.56</u>	<u>3.59</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.59</u>
Total	<u>1,598.25</u>	<u>52.23</u>	<u>36.46</u>	<u>1,614.02</u>	<u>778.70</u>	<u>39.36</u>	<u>22.71</u>	<u>795.35</u>	<u>818.67</u>

* Assets under construction-disposal/ transfer out are assets recognized during the year.

6.9 Premises and Equipment, Net (Continued)

As at December 31, 2018 and 2017, the Bank had equipment which are fully depreciated but still in use at the initial cost amounting to Baht 340.47 million and Baht 336.46 million, respectively.

6.10 Intangible Assets, Net

As at December 31, 2018 and 2017, the Bank had intangible assets as follows:

Unit : Million Baht

	December 31, 2018								Intangible Assets, Net
	Cost				Accumulated Amortization				
	Beginning Balance	Additions/ Transfer in	Disposals/ Transfer out	Ending Balance	Beginning Balance	Amortization	Disposals/ Transfer out	Ending Balance	
Computer software	147.78	14.27	0.09	161.96	117.80	14.27	0.10	131.97	29.99
Software under installation*	<u>49.21</u>	<u>23.06</u>	<u>11.27</u>	<u>61.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61.00</u>
Total	<u>196.99</u>	<u>37.33</u>	<u>11.36</u>	<u>222.96</u>	<u>117.80</u>	<u>14.27</u>	<u>0.10</u>	<u>131.97</u>	<u>90.99</u>

* Software under installation-disposal/transfer out are assets recognized during the year.

	December 31, 2017								Intangible Assets, Net
	Cost				Accumulated Amortization				
	Beginning Balance	Additions/ Transfer in	Disposals/ Transfer out	Ending Balance	Beginning Balance	Amortization	Disposals/ Transfer out	Ending Balance	
Computer software	142.90	7.40	2.52	147.78	104.53	15.79	2.52	117.80	29.98
Software under installation*	<u>47.08</u>	<u>2.23</u>	<u>0.10</u>	<u>49.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49.21</u>
Total	<u>189.98</u>	<u>9.63</u>	<u>2.62</u>	<u>196.99</u>	<u>104.53</u>	<u>15.79</u>	<u>2.52</u>	<u>117.80</u>	<u>79.19</u>

* Software under installation-disposal/transfer out are assets recognized during the year.

As at December 31, 2018 and 2017, the Bank had computer software which are fully amortized but still in use at the original cost amounting to Baht 100.45 million and Baht 76.50 million, respectively.

6.11 Reinsurance Assets

As at December 31, 2018 and 2017, the Bank had reinsurance assets as follows:

Unit : Million Baht

	December 31, 2018	December 31, 2017
Accrued income and reinsurance	0.04	-
Insurance reserves from reinsurance	<u>246.75</u>	<u>121.18</u>
Total	<u>246.79</u>	<u>121.18</u>

6.12 Other Assets, Net

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue receivables, net	9.43	5.74
Insurance claim receivables, net of reinsurance	205.31	193.42
Allowance for insurance claim receivables	(205.31)	(193.42)
Leasehold rights	1.04	1.30
Advance deposits	2.77	2.50
Others	<u>1.78</u>	<u>2.05</u>
Total	<u>15.02</u>	<u>11.59</u>

6.13 Deposits

6.13.1 Classified by Type of Deposit

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Demand	2,236.99	2,361.11
Savings	308.08	227.93
Time	6,006.21	5,314.77
Certificates of deposit	<u>21,608.75</u>	<u>14,477.21</u>
Total	<u>30,160.03</u>	<u>22,381.02</u>

6.13.2 Classified by Currency and Residency of Depositors

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	28,075.55	555.17	28,630.72	20,131.61	524.82	20,656.43
US Dollar	822.24	260.10	1,082.34	914.50	801.17	1,715.67
Other currencies	<u>446.97</u>	<u>-</u>	<u>446.97</u>	<u>8.92</u>	<u>-</u>	<u>8.92</u>
Total	<u>29,344.76</u>	<u>815.27</u>	<u>30,160.03</u>	<u>21,055.03</u>	<u>1,325.99</u>	<u>22,381.02</u>

6.14 Interbank and Money Market Items, Net (Liabilities)

Unit : Million Baht

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
Domestic items						
Commercial banks	1.48	6,712.61	6,714.09	1.33	3,579.16	3,580.49
Specialized financial institutions	15.21	2,523.61	2,538.82	15.27	3,814.88	3,830.15
Other financial institutions	<u>-</u>	<u>9,400.00</u>	<u>9,400.00</u>	<u>-</u>	<u>8,400.00</u>	<u>8,400.00</u>
Total domestic items	<u>16.69</u>	<u>18,636.22</u>	<u>18,652.91</u>	<u>16.60</u>	<u>15,794.04</u>	<u>15,810.64</u>
Foreign items						
US Dollar	212.97	-	212.97	274.72	-	274.72
Euro	18.93	-	18.93	16.25	-	16.25
Other currencies	<u>2.04</u>	<u>-</u>	<u>2.04</u>	<u>6.03</u>	<u>-</u>	<u>6.03</u>
Total foreign items	<u>233.94</u>	<u>-</u>	<u>233.94</u>	<u>297.00</u>	<u>-</u>	<u>297.00</u>
Total domestic and foreign items	<u>250.63</u>	<u>18,636.22</u>	<u>18,886.85</u>	<u>313.60</u>	<u>15,794.04</u>	<u>16,107.64</u>

6.15 Debt Issued and Borrowings

6.15.1 Classified by Type of Instrument and Source of Fund

Unit : Million Baht

	<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Bonds	-	33,910.04	33,910.04
Others	<u>104.39</u>	<u>-</u>	<u>104.39</u>
Total debt issued and borrowings	<u>104.39</u>	<u>33,910.04</u>	<u>34,014.43</u>
	<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Bonds	-	30,066.43	30,066.43
Others	<u>117.13</u>	<u>-</u>	<u>117.13</u>
Total debt issued and borrowings	<u>117.13</u>	<u>30,066.43</u>	<u>30,183.56</u>

6.15.2 Classified by Type of Instrument, Currency, Maturity and Interest Rate

				Unit : Million Baht	
	Currency	Maturity	Interest Rate / Interest Rate Index	December 31, 2018	December 31, 2017
Bonds	USD	2019-2024	LIBOR ± MARGIN	33,910.04	30,066.43
Others	THB	2021-2024	0	<u>104.39</u>	<u>117.13</u>
Total debt issued and borrowings				<u>34,014.43</u>	<u>30,183.56</u>

On November 20, 2018, the Bank issued and offered USD 300 million of 5-year unsecured unsubordinated floating rate bonds. The bonds hold interest at 3 months USD LIBOR + 0.90 per cent per annum with interest payment every three months on every 20th of February, May, August and November of each year until maturity.

6.16 Provisions

As at December 31, 2018 and 2017, the Bank had set up provisions as follows:

			Unit : Million Baht	
			December 31, 2018	December 31, 2017
Provisions for the employee benefits			206.75	193.80
Provisions for contingent liabilities			19.85	39.18
Other provisions			<u>20.61</u>	<u>0.61</u>
Total provisions			<u>247.21</u>	<u>233.59</u>

The Bank assessed the provision for the employee benefits by using the Projected Unit Credit method. The details of the Bank's employee benefits for the period were as follows:

			Unit : Million Baht	
			December 31, 2018	December 31, 2017
Beginning balance			193.80	169.45
Current service cost*			20.03	18.23
Interest cost*			5.73	5.25
Employee benefits paid during the year			(8.26)	(8.02)
Actuarial (gain) loss on defined benefit plans			<u>(4.55)</u>	<u>8.89</u>
Ending Balance			<u>206.75</u>	<u>193.80</u>

* These items are presented as expenses in the statement of profit or loss and other comprehensive income.

6.16 Provisions (Continued)

Principal actuarial assumptions for the Bank's employee benefits were as follows:

	<u>2018</u>	<u>2017</u>
Average salary increase	6.75% - 9.00%	6.50% - 9.00%
Average turnover rate	0% - 21.52%	0% - 34.65%
Discount rate	1.75% - 3.31%	1.42% - 3.15%

The Bank's defined benefit plans were sensitive to changes in each significant actuarial assumptions as follows:

	Unit : Million Baht	
	<u>Increase (Decrease) in Defined Benefit</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Average discount rate		
- Increase of 1%	(23.42)	(22.78)
- Decrease of 1%	27.63	27.04
Average future salary increase rate		
- Increase of 1%	0.62	0.63
- Decrease of 1%	(1.16)	(1.25)
Average turnover rate		
- Increase of 1%	(1.80)	(1.67)
- Decrease of 1%	1.80	1.28

The Labor Protection Act (No.7) B.E. 2562, which is effective after 30 days of publication in the Royal Gazette (April 5, 2019), is amended the legal severance pay rates for an employee who has worked for an uninterrupted period of 20 years or more, to receive severance payment of not less than 400 days of wages at the most recent rate. The entity under the above Labor Protection Act is required to recognize an increase in provision for employee benefits as well as the past service cost as an expense in the period that the Act is effective. However, the Bank is covered by the State Enterprise Labor Relations Act B.E. 2543 and determine severance pay as the Bank's Compensation Rule B.E. 2553, which is in line with the Notification, issued by the State Enterprise Labor Relations Committee, regarding the minimum standards of conditions of employment in state enterprise. Therefore, such Labor Protection Act has no impact on the Bank's financial statements unless the Notification mentioned above is amended according to the Labor Protection Act.

6.17 Reserves for Insurance Service

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Reserves for export credit insurance	258.07	179.49
Reserves for investment insurance	104.92	85.57
Reserves for stand-by claims purchase agreement	<u>159.42</u>	<u>26.54</u>
Total	<u>522.41</u>	<u>291.60</u>

6.18 Other Liabilities

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Collateral under Credit Support Annex contract *	148.62	-
Advance deposits	23.33	26.54
Accrued expenses	73.09	36.40
Account payables	11.82	13.82
Reinsurance payables	6.38	6.95
Deferred revenue	19.36	14.02
Withholding tax payable	7.57	6.21
Provision for expected loss **	100.41	173.94
Suspense liabilities	422.20	247.13
Others	<u>3.57</u>	<u>0.22</u>
Total	<u>816.35</u>	<u>525.23</u>

* To mitigate counterparty risk, the Bank signed ISDA Credit Support Annex (CSA) with its counterparties which required posting collateral in the form of cash when the contract's fair value changes more than the threshold.

** Reserve for changes in fair value of derivatives.

6.19 Capital

The Bank had an initial capital of Baht 2,500 million. The Bank received additional capital from the Ministry of Finance on July 31, 1998 in the amount of Baht 4,000 million.

On December 30, 2008 and September 21, 2009, the bank has received the additional capital in the amount of Baht 1,300 million and Baht 5,000 million, respectively. Thereby, the Bank has total capital amounting to Baht 12,800 million.

6.20 Remittance as the Public Revenue

The Ministry of Finance approved the appropriation of net income for the year 2017 as the public revenue amounting to Baht 505.00 million. The Bank remitted the interim public revenue amounting to Baht 247.90 million on October 20, 2017 and the remaining amount Baht 257.10 million on June 29, 2018.

On October 10, 2018 the Bank remitted the interim public revenue of the year 2018 amounting to Baht 281.90 million. Thereby, the total remittance in 2018 was Baht 539.00 million.

6.21 Contingent Liabilities

	Unit : Million Baht	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Guarantees of loans	1,496.55	1,542.77
Liabilities under immature import bills	1,270.32	286.51
Letters of credit	2,558.55	1,162.00
Export bills insured	20,451.17	14,435.94
Other contingencies		
Overdraft accounts not yet drawn	584.44	549.47
Other guarantees	3,524.56	3,204.33
Investment Insurance	3,309.88	3,333.45
Stand-by claims purchase agreement	<u>7,247.46</u>	<u>2,366.61</u>
Total other contingencies	<u>14,666.34</u>	<u>9,453.86</u>
Total	<u>40,442.93</u>	<u>26,881.08</u>

6.22 Other Benefits to Directors and Executives

The Bank paid no further benefits to directors and executives other than normal remuneration such as monthly allowance, meeting allowance and bonus for directors (if any), salary for executives, special monthly allowance for executives (if any).

6.23 Long-Term Leasing Contracts

The Bank has entered into the lease agreements of the Bank's branch offices. The Bank commits to pay future lease as follows:

	Unit : Million Baht	
<u>Remaining Period</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within 1 year	3.93	5.04
Over 1 - 5 years	1.75	5.68

6.23 Long-Term Leasing Contracts (Continued)

The Bank has entered into the sublease agreement which the Bank will receive sublease rental in the future as follows:

	Unit : Million Baht	
<u>Remaining Period</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within 1 year	0.02	0.02

6.24 Financial Position and Operational Performance Classified by Domestic and Foreign Operations

The Bank established representative office to promote and supports international trade and investments. The Bank currently has 2 representative offices including, representative office in Yangon, the Republic of the Union of Myanmar and representative office in Vientiane, Laos People's Democratic Republic.

6.24.1 Financial Position Classified by Business

	Unit : Million Baht		
	<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Total assets	106,563.75	2.03	106,565.78
Interbank and money market items, net (assets)	2,811.73	0.67	2,812.40
Investments, net	2,345.30	-	2,345.30
Loans to customers and accrued interest receivables, net	99,551.41	-	99,551.41
Deposits	30,160.03	-	30,160.03
Interbank and money market items, net (liabilities)	18,886.85	-	18,886.85
Debt issued and borrowings	34,014.43	-	34,014.43
	<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Total assets	90,899.64	1.34	90,900.98
Interbank and money market items, net (assets)	2,003.68	0.47	2,004.15
Investments, net	2,478.19	-	2,478.19
Loans to customers and accrued interest receivables, net	80,932.34	-	80,932.34
Deposits	22,381.02	-	22,381.02
Interbank and money market items, net (liabilities)	16,107.64	-	16,107.64
Debt issued and borrowings	30,183.56	-	30,183.56

6.24.2 Operations Classified by Business

	Unit : Million Baht		
	<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Interest income	4,917.23	-	4,917.23
Interest expenses	<u>(1,534.60)</u>	-	<u>(1,534.60)</u>
Interest income, net	3,382.63	-	3,382.63
Fees and service income, net	254.06	-	254.06
Other operating income	274.08	-	274.08
Other operating expenses	<u>(2,535.65)</u>	<u>(9.79)</u>	<u>(2,545.44)</u>
Net profit	<u><u>1,375.12</u></u>	<u><u>(9.79)</u></u>	<u><u>1,365.33</u></u>
	<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Interest income	3,996.90	-	3,996.90
Interest expenses	<u>(1,034.30)</u>	-	<u>(1,034.30)</u>
Interest income, net	2,962.60	-	2,962.60
Fees and service income, net	245.37	-	245.37
Other operating income	322.57	-	322.57
Other operating expenses	<u>(2,161.24)</u>	<u>(9.14)</u>	<u>(2,170.38)</u>
Net profit	<u><u>1,369.30</u></u>	<u><u>(9.14)</u></u>	<u><u>1,360.16</u></u>

6.25 Interest Income

Interest income for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Interbank and money market items	125.07	108.01
Investment in debt securities	31.93	30.01
Loans	<u>4,760.23</u>	<u>3,858.88</u>
Total interest income	<u><u>4,917.23</u></u>	<u><u>3,996.90</u></u>

6.26 Interest Expenses

Interest expenses for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Deposits	319.36	191.50
Interbank and money market items	382.50	267.29
Debt issued		
- Bonds	821.83	565.20
- Borrowings fee	<u>10.91</u>	<u>10.31</u>
Total interest expenses	<u>1,534.60</u>	<u>1,034.30</u>

6.27 Fees and Service Income, Net

Net fees and service income for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Fees and service income		
- Acceptance aval and guarantee	44.95	52.90
- Income from insurance	191.24	168.73
- Others	<u>109.86</u>	<u>99.92</u>
Total fees and service income	<u>346.05</u>	<u>321.55</u>
Fees and service expenses		
- Expense on insurance	87.32	72.85
- Others	<u>4.67</u>	<u>3.33</u>
Total fees and service expenses	<u>91.99</u>	<u>76.18</u>
Total fees and service income, net	<u>254.06</u>	<u>245.37</u>

6.28 Gain (Loss) on Tradings and Foreign Exchange Transactions

Gain (loss) on tradings and foreign exchange transactions for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Foreign exchanges, debt securities and derivatives	58.76	69.81
Interest rate derivatives	<u>(66.79)</u>	<u>(17.47)</u>
Total gain (loss) on tradings and foreign exchange transactions	<u>(8.03)</u>	<u>52.34</u>

6.29 Gain (Loss) on Investments, Net

Gain (loss) on investments for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Gain (loss) on disposal of general investments	21.75	0.07
Reversal (loss) on impairment of general investments	<u>(0.25)</u>	<u>(1.57)</u>
Total gain (loss) on investments	<u>21.50</u>	<u>(1.50)</u>

6.30 Loss on Claims and Reserves for Insurance Service

Loss on claims and reserves for insurance service for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Doubtful account for export insurance	40.93	(0.77)
Doubtful account for investment insurance policy	19.35	20.81
Doubtful account for stand-by claims purchase agreement	<u>57.12</u>	<u>5.30</u>
Total	<u>117.40</u>	<u>25.34</u>

6.31 Impairment Loss of Loans and Debt Securities

Impairment loss of loans and debt securities for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Interbank and money market items	4.48	(6.29)
Loans		
- Bad debts and doubtful accounts *	1,133.95	887.53
- Loss on restructuring	<u>102.85</u>	<u>114.64</u>
Total	<u>1,236.80</u>	<u>1,002.17</u>
Loans from public service account		
- Bad debts and doubtful accounts	<u>(32.85)</u>	<u>(29.27)</u>
Total impairment loss of loans and debt securities	<u>1,208.43</u>	<u>966.61</u>

* Includes written-down debt recovery and bad debt recovery

6.32 Public Service Account

6.32.1 Summary of Public Service Account

Income and expenses from public service account for the the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Income from public service account	30.54	236.25
<u>Less</u> Expenses from public service account	(17.83)	(127.09)
<u>Less</u> Impairment loss of loans and debt securities from public service account	<u>32.85</u>	<u>29.27</u>
Net profit	<u>45.56</u>	<u>138.43</u>

6.32.2 Income from Public Service Account

Income from public service account for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Income from public service account		
- Interest income	23.04	173.42
Compensation for public service account		
- Compensation for operating expenses	<u>7.50</u>	<u>62.83</u>
Total	<u>30.54</u>	<u>236.25</u>

6.32.3 Expenses from Public Service Account

Expenses from public service account for the years ended December 31, 2018 and 2017 were as follows:

	Unit : Million Baht	
	<u>2018</u>	<u>2017</u>
Interest expenses	15.83	113.21
Operating expenses	2.00	13.84
Other expenses	-	<u>0.04</u>
Total	<u>17.83</u>	<u>127.09</u>

6.33 Fair value of Assets and Liabilities (Continued)

Fair values were determined according to the following hierarchy :

Level 1 - quoted prices in active market for identical assets or liabilities.

Level 2 - value derived from valuation techniques for which the significant input used for the fair value measurement is directly or indirectly observable in the market.

Level 3 - value derived from valuation techniques for which the significant input used for the fair value measurement is unobservable in the market.

Level 2 fair values for derivatives are the prices based on market prices, broker or dealer quotations, prices of other similar transactions or prices derived by using a valuation technique incorporating observable market data adjusted with counterparty credit risk.

6.34 Approval of the Financial Statements

These financial statements have been authorized to issue by the Chairman of the Board of Directors and President on April 17, 2019.
