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## **Management Discussion and Analysis**

For the Year ended 31 December 2015

(Audited Financial Statements)

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## Thanachart Capital Public Company Limited and Its Subsidiaries

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

#### Economics Outlook and Competition in Banking Industry

In the year 2015, the Thai economy grew 2.80 percent surpassing a 0.80 percent growth in 2014. The key drivers were increases in government spending and private consumption which improved particularly in the last quarter of 2015 as a result of the government's economic stimulus packages. In contrast, private investment declined from last year, as well as, export which continued to face negative headwind from weak economies of counter trade parties, especially China. Tourism has maintained a consistent growth. In summary, the Thai economy, although improved from last year, was still feeble. Consequently, the Monetary Policy Committee of the Bank of Thailand issued a resolution to reduce the policy rate twice during the year 2015 from 2.00 percent per annum to 1.50 percent per annum to help stimulate the economy. For year 2016, government budget disbursement and investment in mega infrastructure projects will be the key driver to the Thai economic growth. The Office of the National Economic and Social Development Board forecasted GDP to grow 2.80 – 3.80 percent in 2016.

Loan growth in commercial bank system had declined in 2015 once compared to last year in line with an economic slowdown as aforementioned. Financial institutions continue to be cautious with credit approval and competition to acquire deposits continue to be modest. In 2016, however, the outlook predicts better growth as the consumers' confidence had improved at the end of 2015 and as fiscal stimulus measures continued to enhance the economy.

#### Key Events in 2015

1. On 2 April 2015, the Annual General Meeting of Shareholders for the year 2015 of Thanachart Capital Public Company Limited ("the Company") had a resolution to pay dividend to shareholders at the rate of 1.00 baht per share, amounting to 1,206 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.60 baht per share or 724 million baht, total dividend payment amounted to 1.60 baht per share or 1,930 million baht.
2. As Thanachart Capital Public Company Limited ("the Company") notified the share repurchase project in the case of repurchasing the Company's own shares for financial management purposes (Treasury Stock), the Company would repurchase its shares from the Stock Exchange of Thailand

For clarification of information disclosure, Thanachart Group has submitted Management Discussion and Analysis of Thanachart Bank and its subsidiaries separately from this report.

during 10 February 2015 to 9 August 2015. The maximum repurchasing shares allowed for this project would be 56,431,642 shares and the amount for the share repurchase would not exceed 1,400 million baht. As of 30 June 2015, the Company repurchased 41,350,000 shares or accounting for 3.24 percent of total paid-up shares with the total amount of 1,400 million baht.

3. On 21 September 2015, the Board of Directors of Thanachart Capital Public Company Limited had a resolution to approve the payment of interim dividend for the first half of 2015 at a rate of 0.70 baht per share to all shareholders of the Company. The determination of the name of shareholders eligible for interim dividend payment was set on 5 October 2015 and the registration book was set to be closed for suspension of share transfer on 6 October 2015. The payment is scheduled to be made on 16 October 2015.
4. On 2 April 2015, Thanachart Bank (a subsidiary company) has early redeemed 6,000 million baht of name registered, unsecured subordinated debentures which will mature in 2020 and on 11 May 2015, it also redeemed 5,000 million baht of matured name registered, unsecured subordinated debentures. In replacement, Thanachart Bank has issued and offered Tier II capital instrument under the Basel III regulations (subordinated instrument) No. 1/2015, due in 2025, with the issuer's right to early redeem, in a total of 7,000 million baht. This capital instrument offers 4.65 percent coupon rate per annum and is rated A by TRIS Rating Company Limited. The Bank of Thailand has granted a permission to count this capital instrument as Tier II capital. This helps strengthen the capital fund of the Bank.
5. On 20 April 2015, SCIB Public Company Limited, a subsidiary company of Thanachart Bank, has registered completeness of liquidation with the Ministry of Commerce. In this connection, Thanachart Bank has had tax losses from its investment in such company but the transaction did not have any impact to accounting profit and loss. As a result, Thanachart Bank had no income tax expenses in 2015. Therefore, the Bank has decided to provide a special provision in order enhance its strength and that did not incur any impact on the Group's normal operating profit.
6. Thanachart Bank has increased its capital through the rights offering of common shares to the existing shareholders. The offering period was during 28 September – 5 October 2015. The transaction concluded with additional 5,512 million baht paid-up share capital resulting in a total issued and paid-up share capital of 60,649 million baht. The Bank has received the approval from the Bank of Thailand to account the additional paid-up share capital as Tier 1 capital. The paid-up share capital increase was intended to be counted as Tier 1 capital in replacement of the 7,130 million baht perpetual and non-cumulative Hybrid Tier 1 of the Bank No. 1/2010 ("Hybrid Tier 1"). This tranche of Hybrid Tier 1 has redeemed at its 5-year tenure on the interest payment date. Hybrid Tier 1 has been phasing out in the amount accountable as Tier 1 capital based on Basel III regulations as stipulated by the Bank of Thailand.

## Financial Highlights

Audited Financial Statements	For the 3 months ended			For the year ended	
	31-Dec-15	30-Sep-15	31-Dec-14	31-Dec-15	31-Dec-14
<b>Operating Performance (Million Baht)</b>					
Interest Income	11,860	11,957	12,939	48,640	52,940
Interest Expenses	4,875	5,015	6,164	20,910	25,475
Net Interest Income	6,985	6,942	6,775	27,730	27,465
Non-interest Income	2,891	2,958	3,394	12,474	12,443
Net Operating Income <sup>(1)</sup>	9,876	9,900	10,169	40,204	39,908
Other Operating Expenses	5,194	5,020	5,215	20,319	19,830
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>4,682</b>	<b>4,880</b>	<b>4,954</b>	<b>19,885</b>	<b>20,078</b>
Impairment Loss of Loans -Normal Operation	1,473	1,528	1,575	6,384	7,084
Impairment Loss of Loans -Special Provision	240	180	-	2,216	-
Profit before Tax	2,969	3,172	3,379	11,285	12,994
Income Tax	179	400	657	225	2,558
<b>Profit for the Period</b>	<b>2,790</b>	<b>2,772</b>	<b>2,722</b>	<b>11,060</b>	<b>10,436</b>
<b>Net Profit Attributable to the Company</b>	<b>1,359</b>	<b>1,353</b>	<b>1,359</b>	<b>5,436</b>	<b>5,120</b>
<b>Operating Performance Ratios</b>					
ROAA (%)	1.12	1.14	1.07	1.12	1.02
ROAE <sup>(2)</sup> (%)	10.41	10.47	10.75	10.48	10.39
Interest Spread <sup>(3)</sup> (%)	2.72	2.74	2.54	2.70	2.55
Loan Spread <sup>(4)</sup> (%)	3.53	3.47	3.08	3.40	3.04
Credit Cost (%)	0.89	0.91	0.80	1.12	0.89
Credit Cost from Normal Business Operation (%)	0.76	0.81	0.80	0.83	0.89
Non-interest Income Ratio <sup>(5)</sup> (%)	29.27	29.88	33.38	31.03	31.18
Cost to Income Ratio <sup>(6)</sup> (%)	52.59	50.71	51.28	50.54	49.69
	31-Dec-15	30-Sep-15	31-Dec-14		
<b>Financial Position (Million Baht)</b>					
Loans	714,628	715,031	755,656		
Total Assets	997,581	982,280	1,025,630		
Deposits and Debt Issued and Borrowings	754,383	755,404	795,367		
Total Liabilities	886,258	875,207	921,354		
Equity	111,323	107,073	104,276		
<b>Financial Position Quality</b>					
Loans to Deposits and Debt Issued and Borrowings (%)	94.73	94.66	95.01		
Non-performing Loans (Million Baht)	22,581	26,587	33,768		
NPL Ratio (%)	2.96	3.54	4.21		
Coverage Ratio <sup>(7)</sup> (%)	117.16	109.79	84.89		
Reserve to Required Reserve <sup>(8)</sup> (%)	157.71	153.39	132.64		

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

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

(3) Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

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

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

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

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

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

## Operating Results for the Year 2015

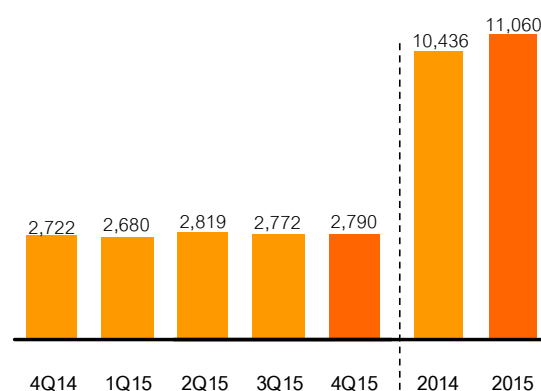
### Performance Overview

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

In 2015, it was a year that Thanachart Group faced with a challenging economy. However, **Thanachart Bank and its subsidiaries which are the Group’s main businesses still had a continuous growth in their performances** from a shift in its strategies to cope with an economic slowdown by focusing more on efficiently cost of deposit and impairment loss of loans management. **Moreover, the Bank’s asset quality and capital fund improved significantly.** As well, Thanachart Bank has successfully prepared its Liquidity Coverage Ratio (LCR) in accordance with the Basel III with the ratio at the end of 2015 higher than 100 percent, which was over the minimum requirement of the Bank of Thailand. This proved clearly that the Bank and the Group had strong potential and financial improvement.

As a result, **Thanachart Group still maintained its profitability and had strong growth in its operating results. The net profit of the Group in 2015 amounted to 11,060 million baht, an increase of 624 million baht or 5.98 percent** from the previous year. Total income base increased and impairment loss of loans from normal business operation decreased, due to a proper risk management.

Net Profit of Thanachart Group (Million Baht)



Financial position of Thanachart Group that has significantly strengthened was a result of its emphasize on NPL management systematically and continuously. **Consolidated NPLs outstanding reduced significantly by 11,187 million baht or 33.13 percent**, resulting in **a decrease in NPL ratio to 2.96 percent while coverage ratio improved to stand at 117.16 percent.** The improvements were reflected by **the improvement of the Bank’s NPL.** The details of which are disclosed in TBANK and its subsidiaries’ MD&A submitted to the SET together with this report. **On capital fund, the Bank had capital adequacy ratio of 17.92 percent**, an increase from 15.83 percent from the end of last year.

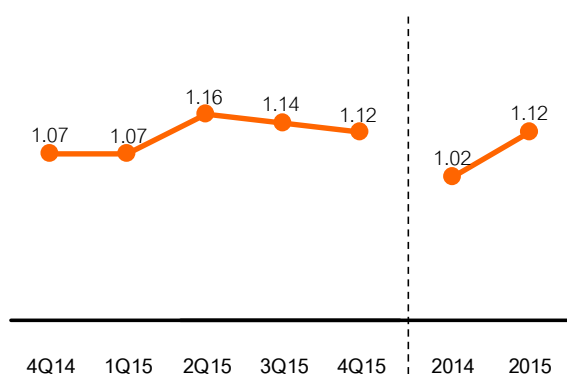
Summary of key operating results in **2015 comparing to that of 2014** is as follows:

- Net interest income increased by 0.96 percent from an appropriate management of funding costs. Interest spread increased to 2.70 percent.
- Operating expenses increased by 2.47 percent from setting aside expenses for litigation for future liabilities in the first quarter of 2015.
- Impairment loss of loans expenses from normal business operation decreased by 9.88 percent from an effective management.
- Net Profit increased by 5.98 percent from an increase in income base and a decrease in impairment loss of loans expenses from normal business operation
- NPL decreased by 11,187 million baht or 33.13 percent with NPL ratio of 2.96 percent while coverage ratio increased to 117.16 percent.

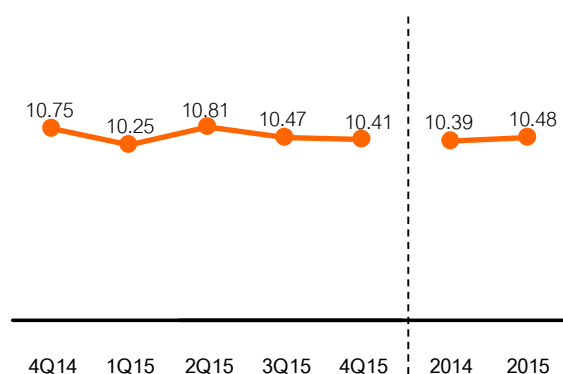
**In 2015, net profit attributable to the Company was 5,436 million baht, an increase of 316 million baht or 6.17 percent** from the previous year. Earning per share (EPS) was 4.61 baht, an increase from 4.24 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.12 percent and 10.48 percent respectively.

Audited Financial Statements	For the 3 months ended			For the year ended	
	31-Dec-15	30-Sep-15	31-Dec-14	31-Dec-15	31-Dec-14
Net Profit (Million Baht)					
Profit for the period	2,790	2,772	2,722	11,060	10,436
Net Profit Attributable to the Company	1,359	1,353	1,359	5,436	5,120
Net Profit Attributable to Non-controlling interests	1,431	1,419	1,363	5,624	5,316
Basic Earning per Share (Baht)	1.17	1.16	1.13	4.61	4.24

ROAA (%)



ROAE\* (%)



\*Equity attributable to the Company's shareholders

## Net Interest Income

Unit: Million Baht

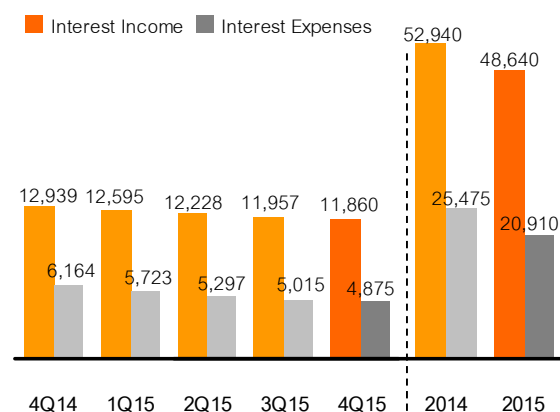
Net Interest Income	4Q15	3Q15	Change		2015	2014	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,860</b>	<b>11,957</b>	<b>(97)</b>	<b>(0.81)</b>	<b>48,640</b>	<b>52,940</b>	<b>(4,300)</b>	<b>(8.12)</b>
Interbank and Money Market Items	390	404	(14)	(3.47)	1,614	1,936	(322)	(16.63)
Investments for trading	62	78	(16)	(20.51)	334	464	(130)	(28.02)
Investments for debts securities	962	897	65	7.25	3,850	4,245	(395)	(9.31)
Loans	4,839	4,833	6	0.12	19,514	20,408	(894)	(4.38)
Hire Purchase and Financial Leases	5,607	5,745	(138)	(2.40)	23,328	25,887	(2,559)	(9.89)
<b>Interest Expenses</b>	<b>4,875</b>	<b>5,015</b>	<b>(140)</b>	<b>(2.79)</b>	<b>20,910</b>	<b>25,475</b>	<b>(4,565)</b>	<b>(17.92)</b>
Deposits	2,929	2,998	(69)	(2.30)	12,831	16,165	(3,334)	(20.62)
Interbank and Money Market Items	201	227	(26)	(11.45)	958	1,091	(133)	(12.19)
Fund Contributed to FIDF and DPA	860	841	19	2.26	3,405	3,556	(151)	(4.25)
Debts Issued	883	948	(65)	(6.86)	3,710	4,653	(943)	(20.27)
Borrowing Fee	2	1	1	100.00	6	10	(4)	(40.00)
<b>Net Interest Income</b>	<b>6,985</b>	<b>6,942</b>	<b>43</b>	<b>0.62</b>	<b>27,730</b>	<b>27,465</b>	<b>265</b>	<b>0.96</b>

**In 2015, the Company and its subsidiaries had 27,730 million baht in net interest income, an increase of 265 million baht or 0.96 percent from the previous year. Interest Spread was at 2.70 percent, an increase from 2.55 percent.**

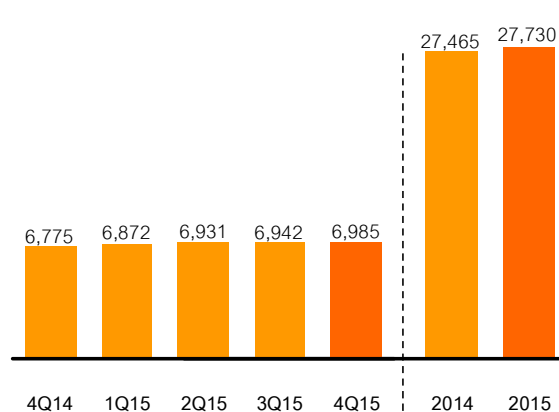
- Interest income was 48,640 million baht, a decrease of 4,300 million baht or 8.12 percent. This was mainly from loans contraction as well as a decrease in yield on earning assets which was in line with the downward trend of the market interest rate.
- Interest expenses were 20,910 million baht, a decrease of 4,565 million baht or 17.92 percent. This was due mainly to the effective cost of fund management under the Bank's liquidity management strategy and the passing through an impact of policy interest rate decrease by the Monetary Policy Committee in the first six month of the year.

	4Q14	1Q15	2Q15	3Q15	4Q15	2014	2015
Average Policy Interest Rate	2.00	1.94	1.58	1.50	1.50	2.05	1.63
Yield	5.39	5.32	5.31	5.18	5.06	5.45	5.21
Cost of Fund	2.85	2.70	2.58	2.44	2.34	2.90	2.51
Interest Spread	2.54	2.62	2.73	2.74	2.72	2.55	2.70

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



### Non-interest Income

Unit: Million Baht

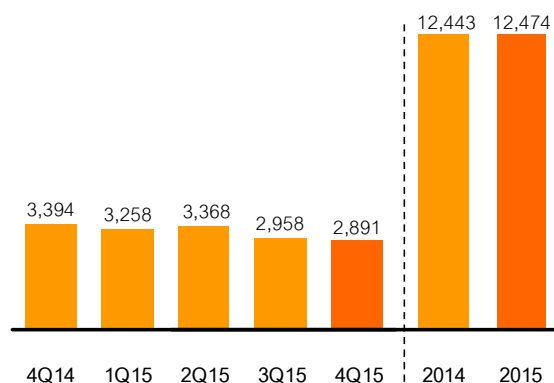
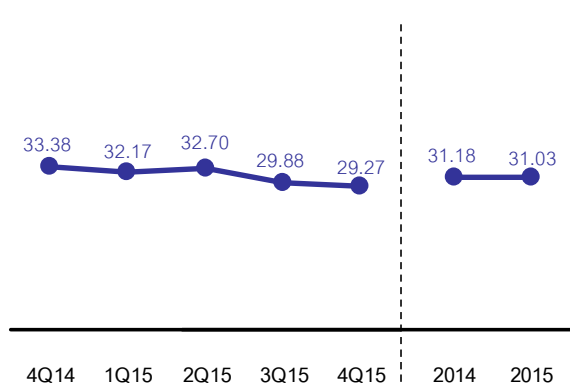
Non-interest Income	4Q15	3Q15	Change		2015	2014	Change	
			+ / (-)	%			+ / (-)	%
Net Fees and Service Income	1,392	1,494	(102)	(6.83)	5,465	5,920	(455)	(7.69)
Gains on Trading and Foreign Exchange Transactions	195	153	42	27.45	742	1,302	(560)	(43.01)
Gains on Investments	354	220	134	60.91	1,956	1,098	858	78.14
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	62	54	8	14.81	272	264	8	3.03
Gains (Losses) on Property Foreclosed and Other Assets	38	(20)	58	(290.00)	310	179	131	73.18
Net Insurance / Life Insurance Income	478	486	(8)	(1.65)	2,043	1,711	332	19.40
Dividend Income	49	185	(136)	(73.51)	359	350	9	2.57
Other Income	323	386	(63)	(16.32)	1,327	1,619	(292)	(18.04)
Operating Income	1,499	1,464	35	2.39	7,009	6,523	486	7.45
Non-interest Income	2,891	2,958	(67)	(2.27)	12,474	12,443	31	0.25

**Non-interest income of the Company and its subsidiaries in 2015 was 12,474 million baht, an increase of 31 million baht or 0.25 percent from the previous year. This was mainly from gains on investments, and net insurance premium/ life insurance premium income.**

- Net fees and service income amounted to 5,465 million baht, a decrease of 455 million baht or 7.69 percent. This was a result of decreases in brokerage fees from securities business and other fee income.
- Operating income amounted to 7,009 million baht, an increase of 486 million baht or 7.45 percent. This was mainly due to an increase of 858 million baht in gains from selling investments and an increase of 332 million baht in net insurance / life insurance premium income.

Consequently, non-interest income ratio of 2015 was 31.03 percent, a decrease from the previous year of 31.18 percent.



Non-interest Income (Million Baht)

Non-interest Income Ratio (%)


### Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	4Q15	3Q15	Change		2015	2014	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,775	2,793	(18)	(0.64)	11,152	10,960	192	1.75
Premises and Equipment Expenses	797	775	22	2.84	3,000	2,958	42	1.42
Taxes and Duties	212	212	-	-	864	867	(3)	(0.35)
Directors' Remuneration	10	10	-	-	78	75	3	4.00
Other Expenses	1,400	1,230	170	13.82	5,225	4,970	255	5.13
<b>Total Other Operating Expenses</b>	<b>5,194</b>	<b>5,020</b>	<b>174</b>	<b>3.47</b>	<b>20,319</b>	<b>19,830</b>	<b>489</b>	<b>2.47</b>

**In 2015, other operating expenses of the Company and its subsidiaries amounted to 20,319 million baht, an increase of 489 million baht or 2.47 percent from the previous year. Key factors include the following.**

- Other expenses increased by 255 million baht or 5.13 percent due to a provision set aside for litigation for future liabilities in the first quarter of 2015.
- Employee's expenses increased by 192 million baht or 1.75 percent following the increase in compensation of employees.

As a result, cost to income ratio of 2015 was 50.54 percent, an increase from the previous year of 49.69 percent.

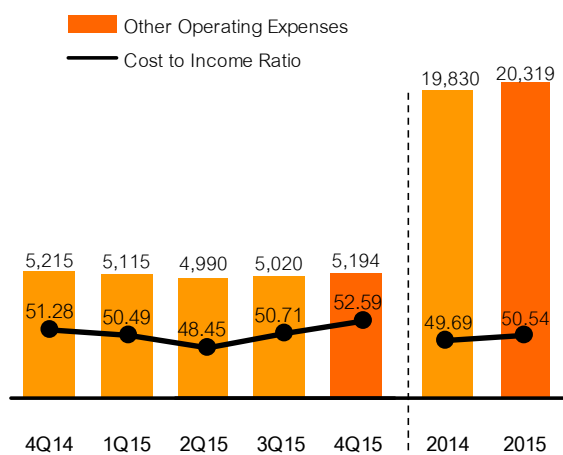
## Impairment Loss of Loans and Debt Securities

Unit: Million Baht

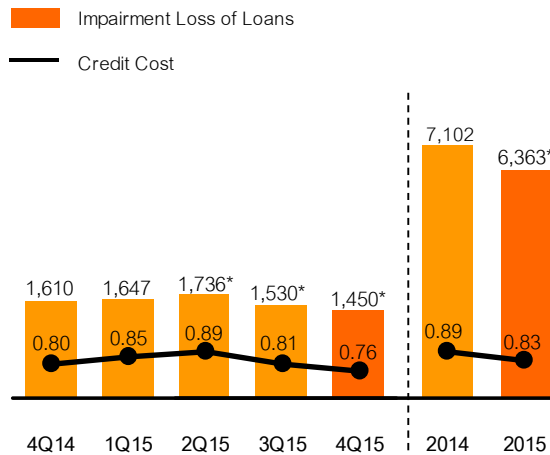
Impairment Loss of Loans and Debt Securities	4Q15	3Q15	Change		2015	2014	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans -Normal Business Operation	1,450	1,530	(80)	(5.23)	6,363	7,102	(739)	(10.41)
Impairment Loss of Loans -Special Provision	240	180	60	33.33	2,216	-	2,216	100.00
Loss from impairment of Investments	23	(2)	25	1,250.00	21	(18)	39	216.67
<b>Total Impairment Loss of Loans and Debt Securities</b>	<b>1,713</b>	<b>1,708</b>	<b>5</b>	<b>0.29</b>	<b>8,600</b>	<b>7,084</b>	<b>1,516</b>	<b>21.40</b>
Credit Cost (%)	0.89	0.91	(0.02)	(2.20)	1.12	0.89	0.23	25.84
Credit Cost Excluding Special Provision (%)	0.76	0.81	(0.05)	(6.17)	0.83	0.89	(0.06)	(6.74)

From the effective management of NPLs, **Thanachart Group's had impairment loss of loans from normal business operation in 2015 in the amount of 6,363 million baht, a decrease of 739 million baht or 10.41 percent** from the previous year. Credit cost was at 0.83 percent, a decrease from 0.89 percent in a year earlier. In addition, as Thanachart Bank (a subsidiary company) did not have tax burden, Thanachart Bank has considered providing special provision in the amount of 2,216 million baht for supporting the economic volatility and the rules of concerned authorities. Such special provision provided did not have any impact to the Group's profit. From the attempt to manage NPL of the Company and its subsidiaries, NPL ratios has been declining and coverage ratio has been improving significantly from the end of last year. The details of which are shown in the NPL section.

Other Operating Expenses (Million Baht)  
and Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)  
and Credit Cost (%)



\*Normal operation

## Income Tax

For the year 2015, Thanachart Bank (a subsidiary company) did not have income tax expenses, due to that it had tax losses from liquidation of SCIB Public Company Limited in the second quarter. At the same time, other subsidiaries still had income tax expenses as usual.

## Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 December 2015		31 December 2014		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	58,138	5.83	66,038	6.44	(7,900)	(11.96)
Investment-net	184,562	18.50	162,318	15.83	22,244	13.70
Investment in Associated Company-net	2,353	0.24	2,417	0.24	(64)	(2.65)
Loans to Customers and Accrued Interest Receivables	715,295	71.70	756,444	73.75	(41,149)	(5.44)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(26,244)	(2.63)	(28,450)	(2.77)	2,206	(7.75)
Property foreclosed-net	6,334	0.63	8,931	0.87	(2,597)	(29.08)
Intangible Assets Acquired in a Business Combination-net	1,511	0.15	1,973	0.19	(462)	(23.42)
Goodwill	17,207	1.73	16,969	1.65	238	1.40
Other Assets	38,425	3.85	38,990	3.80	(565)	(1.45)
<b>Total Assets</b>	<b>997,581</b>	<b>100.00</b>	<b>1,025,630</b>	<b>100.00</b>	<b>(28,049)</b>	<b>(2.73)</b>
Deposits	669,454	67.11	696,949	67.95	(27,495)	(3.95)
Interbank and Money Market Items	85,600	8.58	80,139	7.81	5,461	6.81
Debt Issued and Borrowings	84,929	8.51	98,418	9.60	(13,489)	(13.71)
Other Liabilities	46,275	4.64	45,848	4.47	427	0.93
<b>Total Liabilities</b>	<b>886,258</b>	<b>88.84</b>	<b>921,354</b>	<b>89.83</b>	<b>(35,096)</b>	<b>(3.81)</b>
Company's Shareholders' Equity	52,674	5.28	51,353	5.01	1,321	2.57
Non-controlling Interests	58,649	5.88	52,923	5.16	5,726	10.82
<b>Total Shareholders' Equity</b>	<b>111,323</b>	<b>11.16</b>	<b>104,276</b>	<b>10.17</b>	<b>7,047</b>	<b>6.76</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>997,581</b>	<b>100.00</b>	<b>1,025,630</b>	<b>100.00</b>	<b>(28,049)</b>	<b>(2.73)</b>
Book Value per Share (Baht)	45.21		42.56			

### Assets

As of 31 December 2015, **Thanachart Group's total assets amounted to 997,581 million baht, a decrease of 28,049 million baht or 2.73 percent** from the end of 2014. Key factors are as follows:

- Net interbank and money market amounted to 58,138 million baht, a decrease of 7,900 million baht or 11.96 percent from the end of the previous year due to liquidity management.
- Net investment amounted to 184,562 million baht, an increase of 22,244 million baht or 13.70 percent from the end of last year. The increase was mainly from financial assets management following the business opportunity.
- Loans and accrued interest receivables amounted to 715,295 million baht, a decrease of 41,149 million baht or 5.44 percent from the end of last year. This was due to a decrease of hire purchase loans as a result of slowdown in automotive market as well as an effective NPL management which led to a decrease in NPL. Portion of retail loans to corporate and SME loans was 68 percent to 32 percent.

- Net property foreclosed amounted to 6,334 million baht, a decrease of 2,597 million baht or 29.08 percent from the end of the previous year. This was due to the ability to efficiently manage property foreclosed.

### Liabilities

**Total liabilities of Thanachart Group as of 31 December 2015 were 886,258 million baht, a decrease of 35,096 million baht or 3.81 percent from the end of 2014.** The key items were as follows:

Unit: Million Baht

Deposits	31 December 2015		31 December 2014		Change	
	Amount	%	Amount	%	+ / (-)	%
Current	9,779	1.46	8,667	1.24	1,112	12.83
Savings	258,887	38.67	240,554	34.52	18,333	7.62
Fixed Deposits						
Less than 6 Months	38,632	5.77	64,122	9.20	(25,490)	(39.75)
6 Months and up to 1 Year	122,076	18.24	22,583	3.24	99,493	440.57
Over 1 Year	126,482	18.89	132,369	18.99	(5,887)	(4.45)
Certificate of Deposit	113,598	16.97	228,654	32.81	(115,056)	(50.32)
<b>Total Deposits</b>	<b>669,454</b>	<b>100.00</b>	<b>696,949</b>	<b>100.00</b>	<b>(27,495)</b>	<b>(3.95)</b>

- Deposits were 669,454 million baht, a decrease of 27,495 million baht or 3.95 percent from the end of last year. This was mainly from deposit restructuring and cost of fund management to be in line with the slowdown of loans.

The ratio of current and saving account to total deposits (CASA) was 40.13 percent, an increase from 35.76 percent at the end of last year.

- Debt issued and borrowings amounted to 84,929 million baht, a decrease of 13,489 million baht or 13.71 percent. This was mainly from redemption of subordinated debentures and Hybrid Tier I of the Bank.
- Interbank and money market items were 85,600 million baht, an increase of 5,461 million baht or 6.81 percent from the end of last year. This was due to liquidity management.

### Shareholders' Equity

**Total shareholders' equity as of 31 December 2015 was 111,323 million baht, an increase of 7,047 million baht or 6.76 percent from the end of 2014** which comprised of the following:

- Equity attributable to the owners of the Company was 52,674 million baht, an increase of 1,321 million baht or 2.57 percent. This was mainly from an increase in operating profit attributable to the Company in 2015 amounting to 5,436 million baht. At the same time, there were dividend payments of 2,022 million baht as well as share repurchased for liquidity management in the amount of 1,400 million baht.

- Equity attributable to non-controlling interest amounted to 58,649 million baht, an increase of 5,726 million baht or 10.82 percent, mainly from profitable operating results of subsidiaries companies.

### **Non-performing Loans: NPLs**

	TCAP (Consol.)				
	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15
NPL-gross (Million Baht)	33,768	31,695	29,290	26,587	22,581
Total Allowance* (Million Baht)	28,667	28,176	28,953	29,189	26,456
NPL-gross to Total Loans (%)	4.21	4.07	3.76	3.54	2.96
NPL-net to Total Loans (%)	2.06	1.97	1.77	1.55	1.30
Reserve to Required Reserve (%)	132.64	134.99	143.67	153.39	157.71
Coverage Ratio (%)	84.89	88.90	98.85	109.79	117.16

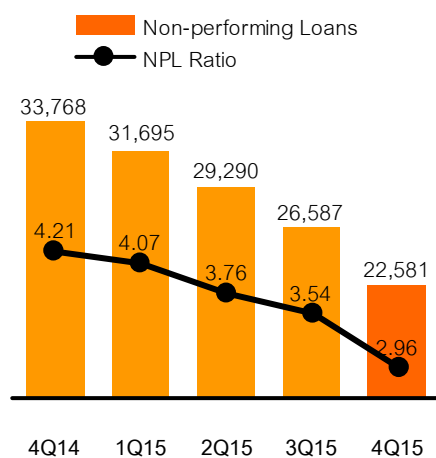
\* Including revaluation allowance for debt restructuring

Although market and economic conditions slowed down and NPLs was on the uptrend across the industry, the Company and its subsidiaries managed to reduce NPLs through systematic and effective control. As a result, **NPLs as of 31 December 2015 amounted to 22,581 million baht, a decrease of 11,187 million baht or 33.13 percent** from the end of last year. Consequently, NPLs had been a steady decline for the sixth consecutive quarter.

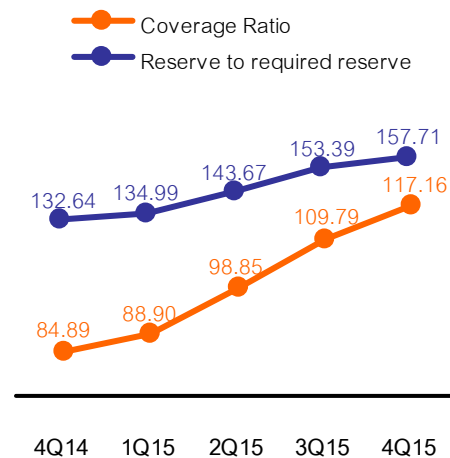
**Non-performing loans to total loans to customers (NPL Ratio) was at 2.96 percent, a decrease from 4.21 percent at the end of previous year.** Despite loans contraction, NPL ratio decreased from the effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 9,789 million baht while the ratio of NPL-net to total loans was at 1.30 percent.

**Coverage ratio at the end of December 2015 was at 117.16 percent, an increase from 84.89 percent at the end of December 2014.** The ratio of reserve to required reserve under the BOT's regulation was at 157.71 percent at the end of December 2015, an increase from 132.64 percent from the end of December 2014. Excess reserve was 9,681 million baht.

Non-performing Loans (Million Baht) and  
NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required  
Reserve (%)



## Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)			
		4Q15	3Q15	2015	2014
Thanachart Bank Plc.					
Consolidated Financial Statements		2,767	2,713	10,743	9,922
Thanachart Securities Plc.	50.96%	122	89	488	561
Thanachart Fund Management Company Limited	38.22%	80	83	320	290
Thanachart Insurance Plc.	50.96%	219	298	1,117	1,047
TS AMC Company Limited	50.96%	(71)	120	(18)	320
Ratchthani Leasing Plc.	33.22%	169	215	749	704
NFS AMC Company Limited	100.00%	7	11	50	58
MAX AMC Company Limited	83.44%	71	4	69	130

## **Risk Management and Risk Factors**

For risk management, the Company and its subsidiaries have put in place the process to manage risk systematically by having the Company's Board of Directors specify risk management policies of Thanachart Group to ensure complete policy alignment throughout the entire organization. There is a business unit that is dedicatedly responsible for risk management and consistently monitors and controls risks to be in accordance with the specified policies of the Company. The measurement and analysis of various risks are done by using an appropriate tools and methodology. Such various risks include strategic risk, credit risk, market risk, interest rate risk, liquidity risk, and operational risk. For risk measurement and monitoring discipline, the risk limit and warning signal are set to ensure that business operation would always be within such acceptable risk limit. Moreover, the Executive Committee and the Board of Directors of the Company closely govern and monitor risk status and the efficiency of risk management system on a monthly basis.

In overall view, the risks of the Company and subsidiaries are within the risk limit and have enough capital after risk allocation to support the business expansion in sustainable and secure manners.

### **Disclaimer**

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