



Management Discussion and Analysis

For the second quarter and the first six-month period ended 30 June 2016

(Audited Financial Statements)

Thanachart Capital Public Company Limited

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8312

Website: www.thanachart.co.th

Investor Relations

Email: tcap_ir@thanachart.co.th

Tel: 0 2613 6107

Thanachart Capital Public Company Limited and Its Subsidiaries

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

Thai economy in the second quarter grew by 3.50 percent, an increase from the previous quarter growth of 3.20 percent. The key driving factors included the expansion in private consumption especially from spending on durable goods and the continuous tourism growth. Furthermore, public investment experienced growth while private investment slowed down. Export continued to decline following the economic slowdown of the counter-party countries. Thus, the Monetary Policy Committee of the Bank of Thailand issued a resolution to maintain GDP growth projection at 3.10 percent for year 2016 and maintain policy rate at 1.50 percent per annum.

Loan volume in the commercial bank industry grew from the previous quarter, due mainly to an increase in corporate lending although the increase was very limited in a certain sector as a result of unclear recovery of private investment sector. Retail loan grew slightly from housing loans following housing market stimulus measures of the government. However, competition in acquiring deposits has been subdued in line with timid loan growth.

Key Events in the Second Quarter of 2016

On 27 June 2016, the Board of Directors of Thanachart Capital Public Company Limited (“the Company”) had a resolution to decrease its capital by writing off its treasury shares that were not resold in the amount of 71,350,000 shares. It is the process of decreasing paid up capital after the period of reselling treasury shares has ended. As a result, the Company’s paid up capital decreased from 12,778,297,030 baht to 12,064,797,030 baht. Such reduction has no impact to the shareholders’ equity and to the BIS ratio of Thanachart Group.

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

Financial Highlights

Audited Financial Statements	For the 3 months ended			For the 6 months ended	
	30-Jun-16	31-Mar-16	30-Jun-15	30-Jun-16	30-Jun-15
Operating Performance (Million Baht)					
Interest Income	11,383	11,649	12,228	23,031	24,823
Interest Expenses	4,304	4,694	5,297	8,998	11,020
Net Interest Income	7,079	6,955	6,931	14,033	13,803
Non-interest Income	2,878	2,821	3,368	5,699	6,626
Net Operating Income ⁽¹⁾	9,957	9,776	10,299	19,732	20,429
Other Operating Expenses	5,266	5,008	4,990	10,273	10,105
Pre-Provision Operating Profit (PPOP)	4,691	4,768	5,309	9,459	10,324
Impairment Loss of Loans -Normal Operation	1,173	1,303	1,736	2,476	3,383
Impairment Loss of Loans -Special Provision	235	464	1,796	699	1,796
Profit before Tax	3,283	3,001	1,777	6,284	5,145
Income Tax	131	186	(1,042)	317	(354)
Profit for the Period	3,152	2,815	2,819	5,967	5,499
Net Profit Attributable to the Company	1,466	1,350	1,393	2,817	2,724
Operating Performance Ratios					
ROAA (%)	1.28	1.13	1.16	1.20	1.11
ROAE ⁽²⁾ (%)	10.70	9.99	10.81	10.37	10.55
Interest Spread ⁽³⁾ (%)	2.81	2.70	2.73	2.76	2.68
Loan Spread ⁽⁴⁾ (%)	3.68	3.56	3.37	3.62	3.29
Credit Cost (%)	0.78	0.94	1.81	0.89	1.33
Credit Cost from Normal Business Operation (%)	0.65	0.69	0.89	0.69	0.87
Non-interest Income Ratio ⁽⁵⁾ (%)	28.91	28.86	32.70	28.88	32.43
Cost to Income Ratio ⁽⁶⁾ (%)	52.88	51.22	48.45	52.06	49.46
	30-Jun-16	31-Mar-16	31-Dec-15		
Financial Position (Million Baht)					
Loans	688,524	700,651	714,628		
Total Assets	988,193	1,000,124	997,581		
Deposits and Debt Issued and Borrowings	742,903	760,378	754,383		
Total Liabilities	871,795	883,585	886,258		
Total Equity	116,398	116,539	111,323		
Financial Position Quality					
Loans to Deposits and Debt Issued and Borrowings (%)	92.68	92.15	94.73		
Non-performing Loans (Million Baht)	19,538	21,467	22,581		
NPL Ratio (%)	2.71	2.81	2.96		
Coverage Ratio ⁽⁷⁾ (%)	125.98	119.43	117.16		
Reserve to Required Reserve ⁽⁸⁾ (%)	163.78	161.08	157.71		

(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 Second Quarter and the First Six-month of 2016

Performance Overview

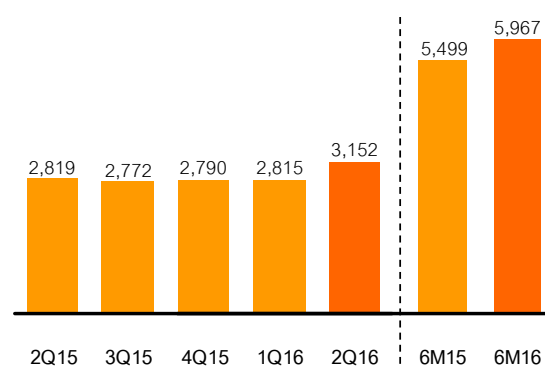
Thanachart Capital Public Company Limited (“the Company”) operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company’s performance is mainly from the performance of Thanachart Bank and its subsidiaries. The Company holds shares in Thanachart 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 the second quarter of 2016, **Thanachart Bank and its subsidiaries which are the Group’s main businesses still had a continuous growth in their performances for sixth consecutive quarter** from a shift in its strategies to cope with an economic slowdown by focusing more on maintaining the strength of its asset quality which resulted in a significant decrease of impairment loss of loans as well as an effective cost of deposits management. As a result, **Thanachart Capital and its subsidiaries’ net profit according to the consolidated financial statements in the second quarter of 2016 amounted to 3,152 million baht, an increase of 337 million baht or 11.97 percent** from the previous quarter. Net operating income increased from both net interest income and non-interest income. From a strong position of asset quality together with the risk-based underwriting policy, impairment loss of loans excluding special provision decreased.

In this quarter, Thanachart Bank has also launched “Thanachart Connect” mobile application service to serve its customers’ needs in a digital era and to fulfill its strategy of being a Digital Banking. Moreover, the Bank is ready for “Prompt Pay”, a new money transfer platform.

For the first six-month period of 2016, the Company and its subsidiaries’ net profit

Net Profit of Thanachart Group (Million Baht)



according to the consolidated financial statements amounted to 5,967 million baht, an increase of 468 million baht or 8.51 percent from the same period last year. Although the Group’s total assets slightly declined from the end of last year in line with the loans contraction, new loans booking grew comparing to the same period last year. Deposits slightly increased with improvement in CASA ratio following the Bank’s strategy to manage cost of funds.

NPLs of Thanachart Group declined by 3,043 million baht from the end of last year. As a result, **NPL ratio decreased to 2.71 percent while coverage ratio improved to stand at 125.98 percent.** The improvements were reflected from the improvement of the Bank’s NPL and coverage ratio. The details of which are disclosed in TBANK

and its subsidiaries' MD&A submitted to the SET **percent**, which was significantly higher than the together with this report. **On capital fund, the** minimum requirement of the Bank of Thailand. **Bank had capital adequacy ratio of 18.84**

Summary of key operating results in **the second quarter of 2016 comparing with the first quarter of 2016** is as follows:

- Net interest income increased by 1.78 percent from an appropriate management of funding costs. Interest spread increased from 2.70 percent to 2.81 percent.
- Non-interest income increased by 2.02 percent, mainly due to net insurance / life insurance income which in the previous quarter was adversely affected from a huge decrease in government bond yield.
- Operating expenses increased by 5.15 percent from increases in expenses on property foreclosed management, advertising, and sales promotion.
- Impairment loss of loans expenses excluding special provision decreased by 9.98 percent from an effective management of asset quality.

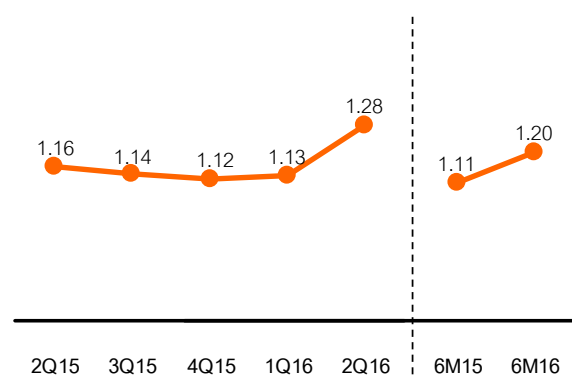
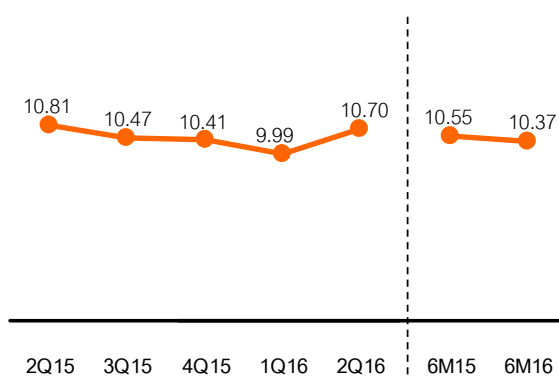
Summary of key operating results in **the first six-month period of 2016 comparing with the same period last year** is as follows:

- Net interest income increased by 1.67 percent from an appropriate management of funding costs. As a result, interest spread increased to 2.76 percent which could be compensated with the loan contraction.
- Non-interest income decreased by 13.99 percent, mainly from decreases in gains on investments and gains on property foreclosed.
- Operating expenses increased by 1.66 percent from the annual increase in salary and selling commission.
- Impairment loss of loans expenses excluding special provision decreased by 26.81 percent from an effective management of asset quality.

In the second quarter of 2016, net profit attributable to the Company was 1,466 million baht, an increase of 116 million baht or 8.59 percent from the previous quarter. Earning per share (EPS) was 1.26 baht, an increase from 1.16 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.28 percent and 10.70 percent respectively.

For the first six-month period of 2016, net profit attributable to the Company was 2,817 million baht, an increase of 93 million baht or 3.41 percent from the same period last year. Earning per share (EPS) was 2.42 baht, an increase from 2.28 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.20 percent and 10.37 percent respectively.

Audited Financial Statements	For the 3 months ended			For the 6 months ended	
	30-Jun-16	31-Mar-16	30-Jun-15	30-Jun-16	30-Jun-15
Net Profit (Million Baht)					
Profit for the period	3,152	2,815	2,819	5,967	5,499
Net Profit Attributable to the Company	1,466	1,350	1,393	2,817	2,724
Net Profit Attributable to Non-controlling interests	1,686	1,465	1,426	3,150	2,775
Basic Earning per Share (Baht)	1.26	1.16	1.18	2.42	2.28

ROAA (%)

ROAE* (%)


*Equity attributable to the Company's shareholders

Net Interest Income

Net Interest Income	Unit: Million Baht							
	2Q16	1Q16	Change		6M16	6M15	Change	
			+ / (-)	%			+ / (-)	%
Interest Income	11,383	11,649	(266)	(2.28)	23,031	24,823	(1,792)	(7.22)
Interbank and Money Market Items	322	415	(93)	(22.41)	736	819	(83)	(10.13)
Investments for trading	55	64	(9)	(14.06)	119	194	(75)	(38.66)
Investments for debts securities	930	876	54	6.16	1,806	1,991	(185)	(9.29)
Loans	4,606	4,737	(131)	(2.77)	9,343	9,842	(499)	(5.07)
Hire Purchase and Financial Leases	5,470	5,557	(87)	(1.57)	11,027	11,977	(950)	(7.93)
Interest Expenses	4,304	4,694	(390)	(8.31)	8,998	11,020	(2,022)	(18.35)
Deposits	2,473	2,786	(313)	(11.23)	5,259	6,903	(1,644)	(23.82)
Interbank and Money Market Items	186	201	(15)	(7.46)	387	530	(143)	(26.98)
Fund Contributed to FIDF and DPA	841	859	(18)	(2.10)	1,700	1,704	(4)	(0.23)
Debts Issued	802	846	(44)	(5.20)	1,649	1,879	(230)	(12.24)
Borrowing Fee	2	2	-	-	3	4	(1)	(25.00)
Net Interest Income	7,079	6,955	124	1.78	14,033	13,803	230	1.67

In the second quarter of 2016, the Company and its subsidiaries had 7,079 million baht in net interest income, an increase of 124 million baht or 1.78 percent from the previous quarter. Interest Spread was at 2.81 percent, an increase from 2.70 percent.

- Interest income was 11,383 million baht, a decrease of 266 million baht or 2.28 percent. This was mainly from loans contraction and a decrease in yield on earning assets as a

result of lending rate cut of Thanachart Bank in line with the downward trend of the market interest rate.

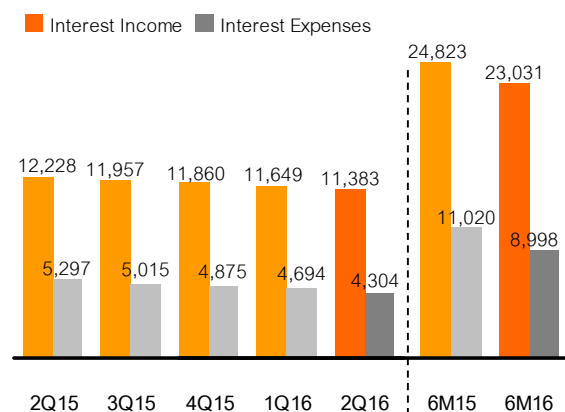
- Interest expenses were 4,304 million baht, a decrease of 390 million baht or 8.31 percent. This was due mainly to the effective cost of fund management under the Bank's liquidity management strategy as well as the Bank's deposits restructuring.

For the first six-month period of 2016, the Company and its subsidiaries had 14,033 million baht in net interest income, an increase of 230 million baht or 1.67 percent from the same period last year. Interest Spread was at 2.76 percent, an increase from 2.68 percent.

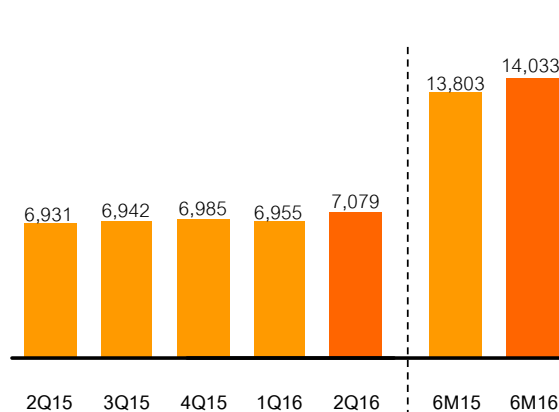
- Interest income was 23,031 million baht, a decrease of 1,792 million baht or 7.22 percent. This was mainly from loans contraction and a decrease in yield on earning assets following the downward trend of the market interest rate.
- Interest expenses were 8,998 million baht, a decrease of 2,022 million baht or 18.35 percent. This was due mainly to the effective cost of fund management under the Bank's strategy to manage liquidity as well as the Bank's deposits restructuring.

	2Q15	3Q15	4Q15	1Q16	2Q16	6M15	6M16
Average Policy Interest Rate	1.58	1.50	1.50	1.50	1.50	1.76	1.50
Yield	5.31	5.18	5.06	4.95	4.91	5.32	4.93
Cost of Fund	2.58	2.44	2.34	2.25	2.10	2.64	2.17
Interest Spread	2.73	2.74	2.72	2.70	2.81	2.68	2.76

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



Non-interest Income

Unit: Million Baht

Non-interest Income	2Q16	1Q16	Change		6M16	6M15	Change	
			+ / (-)	%			+ / (-)	%
Net Fees and Service Income	1,281	1,291	(10)	(0.77)	2,572	2,579	(7)	(0.27)
Gains on Trading and Foreign Exchange Transactions	1	328	(327)	(99.70)	329	394	(65)	(16.50)
Gains on Investments	130	517	(387)	(74.85)	647	1,383	(736)	(53.22)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	115	109	6	5.50	223	157	66	42.04
Gains (Losses) on Property Foreclosed and Other Asset	134	(127)	261	(205.51)	7	291	(284)	(97.59)
Net Insurance / Life Insurance Income	608	331	277	83.69	939	1,079	(140)	(12.97)
Dividend Income	290	57	233	408.77	347	125	222	177.60
Other Income	319	315	4	1.27	635	618	17	2.75
Operating Income	1,597	1,530	67	4.38	3,127	4,047	(920)	(22.73)
Non-interest Income	2,878	2,821	57	2.02	5,699	6,626	(927)	(13.99)

Non-interest income of the Company and its subsidiaries in the second quarter of 2016 was 2,878 million baht, an increase of 57 million baht or 2.02 percent from the previous quarter. This was mainly from net insurance / life insurance income.

- Net fees and service income amounted to 1,281 million baht, a decrease of 10 million baht or 0.77 percent. This was a result of decreases in brokerage fees from securities business.
- Operating income amounted to 1,597 million baht, an increase of 67 million baht or 4.38 percent. This was mainly due to an increase of 277 million baht in net insurance / life insurance income which during the first quarter of 2016, the government bond yield significantly dropped resulting in an increase of life insurance provision in accordance with the Gross Premium Valuation: GPV¹ while such impact decreased in this quarter. As well, gains on property foreclosed increased by 261 million baht and dividend income increased by 233 million baht.

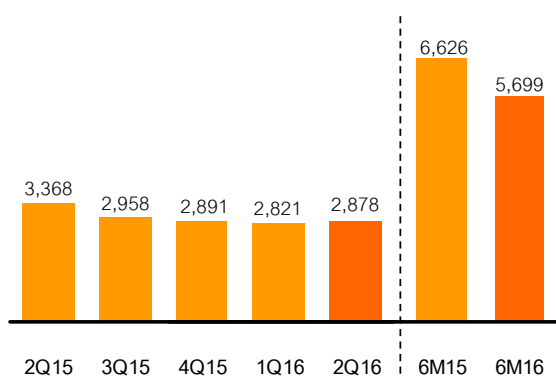
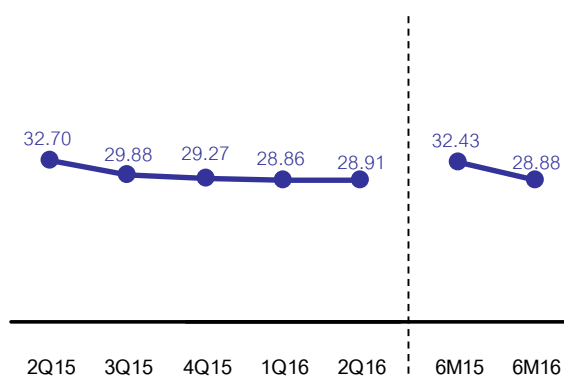
Consequently, non-interest income ratio in the second quarter of 2016 was 28.91 percent, a slight increase from the previous quarter of 28.86 percent.

Non-interest income of the Company and its subsidiaries in the first six-month period of 2016 was 5,699 million baht, a decrease of 927 million baht or 13.99 percent from the same period last year. The decrease was mainly due to gains on investments and gains on property foreclosed

- Net fees and service income amounted to 2,572 million baht, a decrease of 7 million baht or 0.27 percent, due mainly to a decrease in brokerage fees.
- Operating income amounted to 3,127 million baht, a decrease of 920 million baht or 22.73 percent. This was mainly due to a decrease of 736 million baht in gains on investments, a decrease of 284 million baht in gains on property foreclosed, and a decrease of 140 million baht in net insurance / life insurance income. However, dividend income increased by 222 million baht.

¹The calculation method of life insurance reserve that adjusts the hypothesis based on present value.

Consequently, non-interest income ratio in the first six-month period of 2016 was 28.88 percent, a decrease from the same period last year of 32.43 percent.

Non-interest Income (Million Baht)

Non-interest Income Ratio (%)


Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	2Q16	1Q16	Change		6M16	6M15	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,890	2,865	25	0.87	5,754	5,584	170	3.04
Premises and Equipment Expenses	764	755	9	1.19	1,520	1,427	93	6.52
Taxes and Duties	192	200	(8)	(4.00)	392	440	(48)	(10.91)
Directors' Remuneration	53	10	43	430.00	62	59	3	5.08
Other Expenses	1,367	1,178	189	16.04	2,545	2,595	(50)	(1.93)
Total Other Operating Expenses	5,266	5,008	258	5.15	10,273	10,105	168	1.66

In the second quarter of 2016, other operating expenses of the Company and its subsidiaries amounted to 5,266 million baht, an increase of 258 million baht or 5.15 percent from the previous quarter. Key factors include the following.

- Employee's expenses increased by 25 million baht or 0.87 percent following an increase in incentive expenses.
- Other expenses increased by 189 million baht or 16.04 percent. This was mainly due to increases in expenses on property foreclosed management, advertising, and sales promotion.

As a result, cost to income ratio of the second quarter of 2016 was 52.88 percent, an increase from the previous quarter of 51.22 percent.

For the first six-month period of 2016, other operating expenses of the Company and its subsidiaries amounted to 10,273 million baht, an increase of 168 million baht or 1.66 percent from the same period last year. Key factors include the following.

- Employee's expenses increased by 170 million baht or 3.04 percent following the annual salary increase and incentive expenses.
- Premises and equipment expenses increased by 93 million baht or 6.52 percent due to an increase in depreciation expenses on branch renovation.

As a result, cost to income ratio in the first six-month period of 2016 was 52.06 percent, an increase from the same period last year of 49.46 percent. The increase was partly a result of a decrease in earning.

Impairment Loss of Loans and Debt Securities

Unit: Million Baht

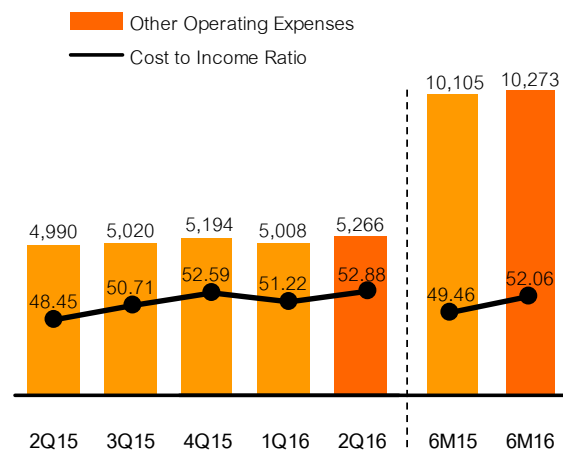
Impairment Loss of Loans and Debt Securities	2Q16	1Q16	Change		6M16	6M15	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans	1,173	1,327	(154)	(11.61)	2,500	3,383	(883)	(26.10)
Impairment Loss of Loans -Special Provision	235	464	(229)	(49.35)	699	1,796	(1,097)	(61.08)
Loss from impairment of Investments	-	(24)	24	(100.00)	(24)	-	(24)	(100.00)
Total Impairment Loss of Loans and Debt Securities	1,408	1,767	(359)	(20.32)	3,175	5,179	(2,004)	(38.69)
Credit Cost (%)	0.78	0.94	(0.16)	(17.02)	0.89	1.33	(0.44)	(33.08)
Credit Cost Excluding Special Provision (%)	0.65	0.69	(0.04)	(5.80)	0.69	0.87	(0.18)	(20.69)

From the effective management of NPLs, **Thanachart Group's had impairment loss of loans excluding special provision in the second quarter of 2016 in the amount of 1,173 million baht, a decrease of 130 million baht or 9.98 percent** from the previous quarter. Credit cost was at 0.65 percent, a decrease from 0.69 percent. In addition, as Thanachart Bank (a subsidiary company) did not have tax burden, Thanachart Bank has considered providing a special provision in the amount of 235 million baht for supporting the economic volatility. Such special provision provided did not have any impact to the Group's profit.

For the first six-month period of 2016, the Company and its subsidiaries had impairment loss of loans excluding special provision amounting to 2,476 million baht, a decrease of 907 million baht or 26.81 percent from the same period last year. Credit cost was at 0.69 percent, a decrease from 0.87 percent. In addition, Thanachart Bank has provided a special provision in the amount of 699 million baht in the first six-month period of 2016 for improving its own strength. 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.

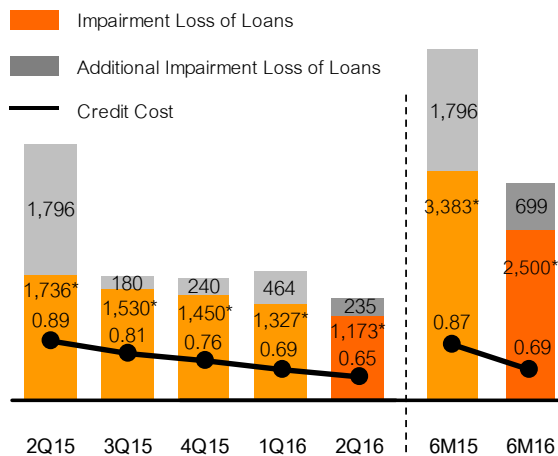
Other Operating Expenses (Million Baht)

and Cost to Income Ratio (%)



Impairment Loss of Loans (Million Baht)

and Credit Cost (%)



*Normal operation

Income Tax

For the second quarter of 2016, 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 of 2015. At the same time, other subsidiaries still had income tax expenses as usual. As a result, in the second quarter of 2016, the Company and its subsidiaries had income tax of 131 million baht.

For the first six-month period of 2016, the Company and its subsidiaries had income tax of 317 million baht.

Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 June 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	58,232	5.89	58,138	5.83	94	0.16
Investment-net	199,404	20.18	184,562	18.50	14,842	8.04
Investment in Associated Company-net	2,923	0.30	2,353	0.24	570	24.22
Loans to Customers and Accrued Interest Receivables	689,170	69.74	715,295	71.70	(26,125)	(3.65)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,403)	(2.47)	(26,244)	(2.63)	1,841	(7.01)
Property foreclosed-net	5,727	0.58	6,334	0.63	(607)	(9.58)
Intangible Assets Acquired in a Business Combination-net	1,286	0.13	1,511	0.15	(225)	(14.89)
Goodwill	17,323	1.75	17,207	1.73	116	0.67
Other Assets	38,531	3.90	38,425	3.85	106	0.28
Total Assets	988,193	100.00	997,581	100.00	(9,388)	(0.94)
Deposits	669,711	67.77	669,454	67.11	257	0.04
Interbank and Money Market Items	81,020	8.20	85,600	8.58	(4,580)	(5.35)
Debt Issued and Borrowings	73,192	7.41	84,929	8.51	(11,737)	(13.82)
Other Liabilities	47,872	4.84	46,275	4.64	1,597	3.45
Total Liabilities	871,795	88.22	886,258	88.84	(14,463)	(1.63)
Company's Shareholders' Equity	55,254	5.59	52,674	5.28	2,580	4.90
Non-controlling Interests	61,144	6.19	58,649	5.88	2,495	4.25
Total Shareholders' Equity	116,398	11.78	111,323	11.16	5,075	4.56
Total Liabilities and Shareholders' Equity	988,193	100.00	997,581	100.00	(9,388)	(0.94)
Book Value per Share (Baht)	47.42		45.21			

Assets

As of 30 June 2016, **Thanachart Group's total assets amounted to 988,193 million baht, a decrease of 9,388 million baht or 0.94 percent** from the end of 2015. Key factors are as follows:

- Net interbank and money market amounted to 58,232 million baht, an increase of 94 million baht or 0.16 percent from the end of the previous year due to excess liquidity management.
- Net investment amounted to 199,404 million baht, an increase of 14,842 million baht or 8.04 percent from the end of last year. This was mainly from financial assets management following the business opportunity.
- Loans and accrued interest receivables amounted to 689,170 million baht, a decrease of 26,125 million baht or 3.65 percent from the end of last year. Hire purchase loans still slowed down and declined in line with the automotive market condition while new lending of the Bank increased from the same period last year. Moreover, the Bank places a strong

emphasis on lending quality as well as effective NPL management to bring down the NPLs. Portion of retail loans to corporate and SME loans was 69 percent to 31 percent.

Liabilities

Total liabilities of Thanachart Group as of 30 June 2016 were 871,795 million baht, a decrease of 14,463 million baht or 1.63 percent from the end of 2015. The key items were as follows:

Unit: Million Baht

Deposits	30 June 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Current	10,072	1.50	9,779	1.46	293	3.00
Savings	305,769	45.66	258,887	38.67	46,882	18.11
Fixed Deposits						
Less than 6 Months	38,833	5.80	38,632	5.77	201	0.52
6 Months and up to 1 Year	121,899	18.20	122,076	18.24	(177)	(0.14)
Over 1 Year	83,438	12.46	126,482	18.89	(43,044)	(34.03)
Certificate of Deposit	109,700	16.38	113,598	16.97	(3,898)	(3.43)
Total Deposits	669,711	100.00	669,454	100.00	257	0.04

- Deposits were 669,711 million baht, an increase of 257 million baht or 0.04 percent from the end of last year. This was mainly from savings deposits which increased in line with the deposits restructuring policy and cost of fund management.

The ratio of current and saving account to total deposits (CASA) was 47.16 percent, an increase from 40.13 percent at the end of last year.

- Debt issued and borrowings amounted to 73,192 million baht, a decrease of 11,737 million baht or 13.82 percent.
- Interbank and money market items were 81,020 million baht, a decrease of 4,580 million baht or 5.35 percent from the end of last year. This was due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 30 June 2016 was 116,398 million baht, an increase of 5,075 million baht or 4.56 percent from the end of 2015. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 55,254 million baht, an increase of 2,580 million baht or 4.90 percent. This was mainly from an increase in operating profit attributable to the Company in the first-six month period of 2016 amounting to 2,817 million baht. Also, premium on land revaluation of the Company and its subsidiaries amounted to 831 million baht. On the other hand, there were dividend payments paid for the performance in the second half of 2015 in the amount of 1,282 million baht.

- Equity attributable to non-controlling interest amounted to 61,144 million baht, an increase of 2,495 million baht or 4.25 percent, mainly from the operating results and premium on land revaluation of the subsidiary companies.

Non-performing Loans: NPLs

	TCAP (Consol.)				
	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16
NPL-gross (Million Baht)	29,290	26,587	22,581	21,467	19,538
Total Allowance* (Million Baht)	28,953	29,189	26,456	25,639	24,615
NPL-gross to Total Loans (%)	3.76	3.54	2.96	2.81	2.71
NPL-net to Total Loans (%)	1.77	1.55	1.30	1.24	1.18
Reserve to Required Reserve (%)	143.67	153.39	157.71	161.08	163.78
Coverage Ratio (%)	98.85	109.79	117.16	119.43	125.98

* Including revaluation allowance for debt restructuring

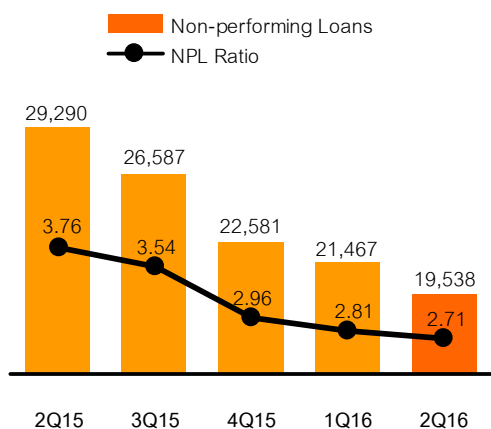
Although market and economic conditions continued to slow down and NPLs were on the uptrend across the industry, the Company and its subsidiaries managed to reduce NPLs through systematic and effective control. As a result, **NPLs as of 30 June 2016 amounted to 19,538 million baht, a decrease of 3,043 million baht or 13.48 percent** from the end of last year. Consequently, NPLs have been declining for the eighth consecutive quarter.

Non-performing loans to total loans to customers (NPL Ratio) was at 2.71 percent, a decrease from 2.96 percent at the end of the previous year. Despite loans contraction, NPL ratio decreased from the effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 8,366 million baht while the ratio of NPL-net to total loans was at 1.18 percent.

Coverage ratio at the end of June 2016 was at 125.98 percent, an increase from 117.16 percent at the end of December 2015. The ratio of reserve to required reserve under the BOT's regulation was at 163.78 percent at the end of the second quarter of 2016, an increase from 157.71 percent from the end of 2015. Excess reserve was 9,585 million baht.

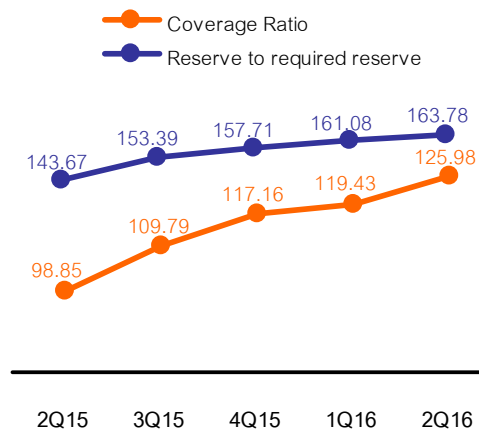
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)				
		2Q16	1Q16	2Q15	6M16	6M15
Thanachart Bank Plc.						
Consolidated Financial Statements		3,158	2,844	2,702	6,002	5,263
Thanachart Securities Plc.	50.96%	92	139	93	231	276
Thanachart Fund Management Company Limited	38.22%	92	86	73	178	157
Thanachart Insurance Plc.	50.96%	267	251	297	518	600
TS AMC Company Limited	50.96%	116	(71)	37	45	(67)
Ratchthani Leasing Plc.	33.22%	216	210	191	426	365
NFS AMC Company Limited	100.00%	(15)	(10)	7	(25)	32
MAX AMC Company Limited	83.44%	50	(7)	(2)	43	(7)
Siam City Life Assurance Public Company Limited	51.00%	(19)	(123)	(27)	(142)	(29)

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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