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## **Management Discussion and Analysis**

For the third quarter and the nine-month period ended 30 September 2016

(Reviewed Financial Statements)

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Thanachart Capital Public Company Limited

Tel: 0 2217 8000, 0 2217 8444

Fax: 0 2217 8312

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

Investor Relations

Email: [tcap\\_ir@thanachart.co.th](mailto:tcap_ir@thanachart.co.th)

Tel: 0 2613 6107

## Thanachart Capital Public Company Limited and Its Subsidiaries

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

#### **Economics Outlook and Competition in Banking Industry**

The Thai economy is expected to grow from the previous quarter with government spending and tourism being the key drivers. Furthermore, private consumption grew at a slower rate as household income was maintained flat. Export sector is expected to contract from unrecovered economies of counter-party countries. Private investment maintained to be low and had growth in specific business segment. However, the Thai economy was able to improve gradually. As a result, the Monetary Policy Committee of the Bank of Thailand had adjusted GDP growth projection of 2016 from 3.10 percent to 3.20 percent, and maintained the policy rate at 1.50 percent per annum to help enhance economic stimulation and expansion.

In commercial banking industry, loan volume is expected to grow at a low rate as economic growth is mainly projected to be in tourism and government spending. However, loan growth is expected to improve in the last quarter, following confidence in private sector. Competition in deposit market has slowed down in line with loan growth direction.

#### **Key Events in the Third Quarter of 2016**

On 26 September 2016, the Board of Directors of Thanachart Capital Public Company Limited (“the Company”) had a resolution to approve the payment of interim dividend for the first half of 2016 at a rate of 0.80 baht per share to all shareholders of the Company. The determination of the name of shareholders eligible for interim dividend payment was set on 10 October 2016 and the registration book was set to be closed for suspension of share transfer on 11 October 2016. The payment is scheduled to be made on 21 October 2016.

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

	For the 3 months ended			For the 9 months ended	
Reviewed Financial Statements	30-Sep-16	30-Jun-16	30-Sep-15	30-Sep-16	30-Sep-15
Operating Performance (Million Baht)					
Interest Income	11,188	11,383	11,957	34,219	36,780
Interest Expenses	3,904	4,304	5,015	12,901	16,035
Net Interest Income	7,284	7,079	6,942	21,318	20,745
Non-interest Income	2,980	2,744	2,978	8,672	9,312
Net Operating Income <sup>(1)</sup>	10,264	9,823	9,920	29,990	30,057
Other Operating Expenses	5,307	5,132	5,040	15,573	14,853
Pre-Provision Operating Profit (PPOP)	4,957	4,691	4,880	14,417	15,204
Impairment Loss of Loans -Normal Operation	1,470	1,173	1,528	3,947	4,911
Impairment Loss of Loans -Special Provision	206	235	180	905	1,976
Profit before Tax	3,281	3,283	3,172	9,565	8,317
Income Tax	189	131	400	505	46
Profit for the Period	3,092	3,152	2,772	9,060	8,271
Net Profit Attributable to the Company	1,502	1,466	1,353	4,319	4,078
Operating Performance Ratios					
ROAA (%)	1.27	1.28	1.14	1.23	1.12
ROAE <sup>(2)</sup> (%)	10.78	10.70	10.47	10.51	10.52
Interest Spread <sup>(3)</sup> (%)	2.98	2.81	2.74	2.83	2.70
Loan Spread <sup>(4)</sup> (%)	3.88	3.68	3.47	3.70	3.35
Credit Cost (%)	0.91	0.78	0.91	0.88	1.22
Credit Cost from Normal Business Operation (%)	0.80	0.65	0.81	0.72	0.87
Non-interest Income Ratio <sup>(5)</sup> (%)	29.04	27.94	30.02	28.92	30.98
Cost to Income Ratio <sup>(6)</sup> (%)	51.71	52.24	50.81	51.93	49.42
	30-Sep-16	30-Jun-16	31-Dec-15		
Financial Position (Million Baht)					
Loans	680,299	688,524	714,628		
Total Assets	993,724	988,193	997,581		
Deposits and Debt Issued and Borrowings	756,988	742,903	754,383		
Total Liabilities	876,402	871,795	886,258		
Total Equity	117,322	116,398	111,323		
Financial Position Quality					
Loans to Deposits and Debt Issued and Borrowings (%)	89.87	92.68	94.73		
Non-performing Loans (Million Baht)	18,776	19,538	22,581		
NPL Ratio (%)	2.56	2.71	2.96		
Coverage Ratio <sup>(7)</sup> (%)	132.94	125.98	117.16		
Reserve to Required Reserve <sup>(8)</sup> (%)	170.08	163.78	157.71		

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

## Operating Results for the Third Quarter and the Nine-month of 2016

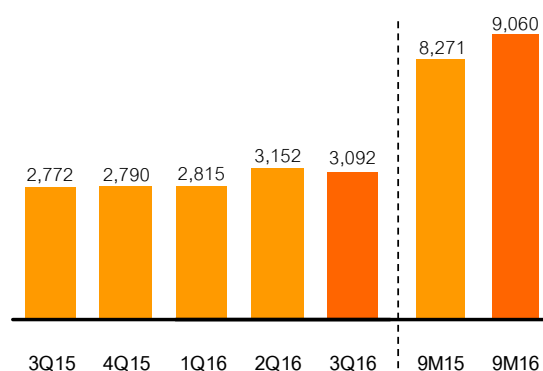
### Performance Overview

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 third quarter of 2016, **Thanachart Bank and its subsidiaries which are the Group’s main businesses still had a continuous growth in their performances for seventh consecutive quarter** from a shift in its strategies to cope with an apprehensive economic environment by focusing on maintaining the strength of its asset quality and an effective cost of deposits management as well as a growth of fees and service income base. **Thanachart Capital and its subsidiaries’ net profit according to the consolidated financial statements in the third quarter of 2016 amounted to 3,092 million baht.** Net operating income increased by 441 million baht or 4.49 percent from both net interest income and non-interest income. As a result, **pre-provision operating profit (PPOP) increased by 266 million baht or 5.67 percent.** However, impairment loss of loans increased to strengthen financial position and to be cautious against the economic uncertainties and new regulations. **The net profit attributable to the Company in the third quarter of 2016 amounted to 1,502 million baht, an increase of 36 million baht or 2.46 percent** from the previous quarter.

Total assets of Thanachart Group grew slightly from the previous quarter. Loans outstanding continued

Net Profit of Thanachart Group (Million Baht)



to decline marginally as the new booking experienced a growth. Deposits also grew from the previous quarter.

**For the nine-month period of 2016, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 9,060 million baht, an increase of 789 million baht or 9.54 percent** from the same period last year. This was a result of the substantial success in NPL management which could significantly bring down the impairment loss of loans by 29.55 percent as well as its ability to effectively manage cost of funds which led to a decrease in cost of funds to 2.10 percent.

**NPLs of Thanachart Group declined by 3,805 million baht** from the end of last year. As a result, **NPL ratio decreased to 2.56 percent** while

coverage ratio improved to stand at **132.94 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 together with this report. **On capital fund, the Bank had capital adequacy ratio of 19.70 percent**, an increase from 17.92 percent at the end of 2015.

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

- Net interest income increased by 2.90 percent from an appropriate management of funding costs. Interest spread increased from 2.81 percent to 2.98 percent.
- Non-interest income increased by 8.60 percent, mainly due to increases in brokerage fees and fees from securities business.
- Operating expenses increased by 3.41 percent, mainly from prudent management in property foreclosed, advertising, and incentive expenses.
- Impairment loss of loans expenses excluding special provision increased by 25.32 percent. This was to protect against the economic uncertainties and future regulations.

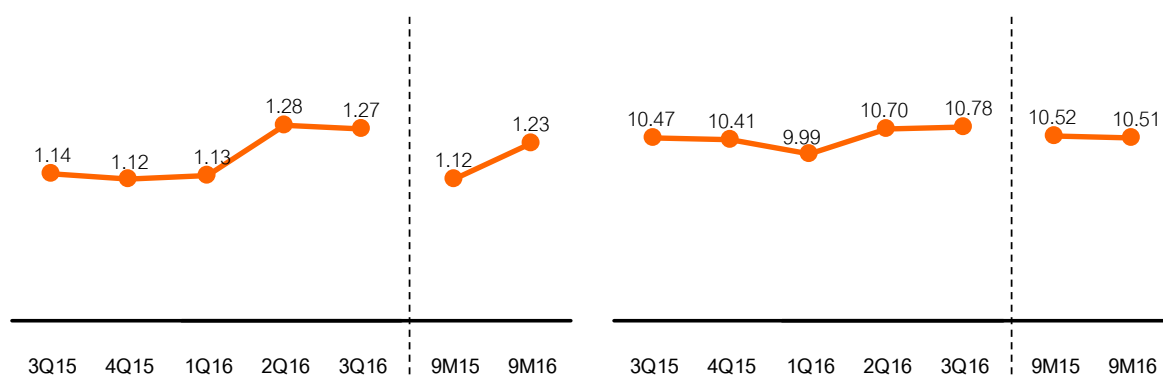
Summary of key operating results in **the nine-month period of 2016 comparing with the same period last year** is as follows:

- Net interest income increased by 2.76 percent from an appropriate management of funding costs. As a result, interest spread increased from 2.70 to 2.83 percent.
- Non-interest income decreased by 6.87 percent, mainly from a decrease in gains on investments.
- Operating expenses increased by 4.85 percent from the annual increase in salary and an increase in incentive expenses.
- Impairment loss of loans expenses excluding special provision decreased by 19.63 percent from an effective management of asset quality.

**In the third quarter of 2016, net profit attributable to the Company was 1,502 million baht, an increase of 36 million baht or 2.46 percent** from the previous quarter. Earning per share (EPS) was 1.29 baht, an increase from 1.26 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.27 percent and 10.78 percent respectively.

**For the nine-month period of 2016, net profit attributable to the Company was 4,319 million baht, an increase of 241 million baht or 5.91 percent** from the same period last year. Earning per share (EPS) was 3.71 baht, an increase from 3.44 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.23 percent and 10.51 percent respectively.

Reviewed Financial Statements	For the 3 months ended			For the 9 months ended	
	30-Sep-16	30-Jun-16	30-Sep-15	30-Sep-16	30-Sep-15
Net Profit (Million Baht)					
Profit for the period	3,092	3,152	2,772	9,060	8,271
Net Profit Attributable to the Company	1,502	1,466	1,353	4,319	4,078
Net Profit Attributable to Non-controlling interests	1,590	1,686	1,419	4,741	4,193
Basic Earning per Share (Baht)	1.29	1.26	1.16	3.71	3.44

ROAA (%)
ROAE\* (%)


\*Equity attributable to the Company's shareholders

## Net Interest Income

Net Interest Income	Unit: Million Baht							
	3Q16	2Q16	Change		9M16	9M15	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,188</b>	<b>11,383</b>	<b>(195)</b>	<b>(1.71)</b>	<b>34,219</b>	<b>36,780</b>	<b>(2,561)</b>	<b>(6.96)</b>
Interbank and Money Market Items	297	322	(25)	(7.76)	1,034	1,224	(190)	(15.52)
Investments for trading	50	55	(5)	(9.09)	168	272	(104)	(38.24)
Investments for debts securities	919	930	(11)	(1.18)	2,725	2,887	(162)	(5.61)
Loans	4,572	4,606	(34)	(0.74)	13,915	14,675	(760)	(5.18)
Hire Purchase and Financial Leases	5,350	5,470	(120)	(2.19)	16,377	17,722	(1,345)	(7.59)
<b>Interest Expenses</b>	<b>3,904</b>	<b>4,304</b>	<b>(400)</b>	<b>(9.29)</b>	<b>12,901</b>	<b>16,035</b>	<b>(3,134)</b>	<b>(19.54)</b>
Deposits	2,149	2,473	(324)	(13.10)	7,408	9,901	(2,493)	(25.18)
Interbank and Money Market Items	181	186	(5)	(2.69)	568	757	(189)	(24.97)
Fund Contributed to FIDF and DPA	812	841	(29)	(3.45)	2,511	2,545	(34)	(1.34)
Debts Issued	760	802	(42)	(5.24)	2,409	2,827	(418)	(14.79)
Borrowing Fee	2	2	-	-	5	5	-	-
<b>Net Interest Income</b>	<b>7,284</b>	<b>7,079</b>	<b>205</b>	<b>2.90</b>	<b>21,318</b>	<b>20,745</b>	<b>573</b>	<b>2.76</b>

In the third quarter of 2016, the Company and its subsidiaries had 7,284 million baht in net interest income, an increase of 205 million baht or 2.90 percent from the previous quarter. Interest Spread was at 2.98 percent, an increase from 2.81 percent.

- Interest income was 11,188 million baht, a decrease of 195 million baht or 1.71 percent. This was mainly from loans contraction.

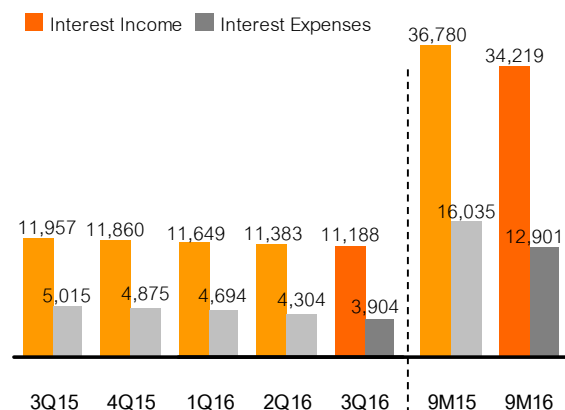
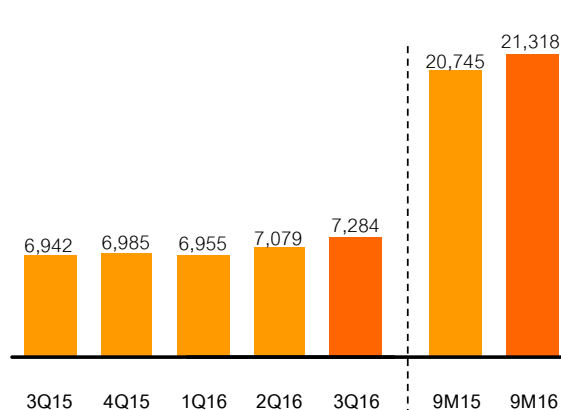
- Interest expenses were 3,904 million baht, a decrease of 400 million baht or 9.29 percent. This was due mainly to the effective cost of fund management under the Bank's liquidity management strategy.

**For the nine-month period of 2016, the Company and its subsidiaries had 21,318 million baht in net interest income, an increase of 573 million baht or 2.76 percent from the same period last year. Interest Spread was at 2.83 percent, an increase from 2.70 percent.**

- Interest income was 34,219 million baht, a decrease of 2,561 million baht or 6.96 percent. This was mainly from loans contraction and a decrease in yield on earning assets following the loan rates adjustments and the market interest rate trend.
- Interest expenses were 12,901 million baht, a decrease of 3,134 million baht or 19.54 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.

	3Q15	4Q15	1Q16	2Q16	3Q16	9M15	9M16
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50	1.67	1.50
Yield	5.18	5.06	4.95	4.91	4.91	5.27	4.93
Cost of Fund	2.44	2.34	2.25	2.10	1.93	2.57	2.10
Interest Spread	2.74	2.72	2.70	2.81	2.98	2.70	2.83

Unit: Percent

Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)


## Non-interest Income

Unit: Million Baht

Non-interest Income	3Q16	2Q16	Change		9M16	9M15	Change	
			+ / (-)	%			+ / (-)	%
Net Fees and Service Income	1,533	1,281	252	19.67	4,106	4,073	33	0.81
Gains on Trading and Foreign Exchange Transactions	97	1	96	9,600.00	426	548	(122)	(22.26)
Gains on Investments	203	130	73	56.15	850	1,602	(752)	(46.94)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	87	115	(28)	(24.35)	310	211	99	46.92
Net Insurance / Life Insurance Income	608	608	-	-	1,547	1,565	(18)	(1.15)
Dividend Income	94	290	(196)	(67.59)	440	310	130	41.94
Other Income	358	319	39	12.23	993	1,003	(10)	(1.00)
Operating Income	1,447	1,463	(16)	(1.09)	4,566	5,239	(673)	(12.85)
Non-interest Income	2,980	2,744	236	8.60	8,672	9,312	(640)	(6.87)

**Non-interest income of the Company and its subsidiaries in the third quarter of 2016 was 2,980 million baht, an increase of 236 million baht or 8.60 percent from the previous quarter.** This was mainly due to an increase in net fees and service income.

- Net fees and service income amounted to 1,533 million baht, an increase of 252 million baht or 19.67 percent. This was a result of increases in brokerage fees and fees from securities business.
- Operating income amounted to 1,447 million baht, a decrease of 16 million baht or 1.09 percent. This was mainly due to a decrease of 196 million baht in dividend income. At the same time gains on trading and foreign exchange transactions and gains on investments increased.

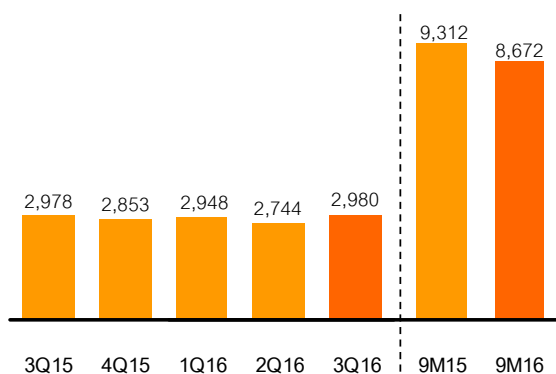
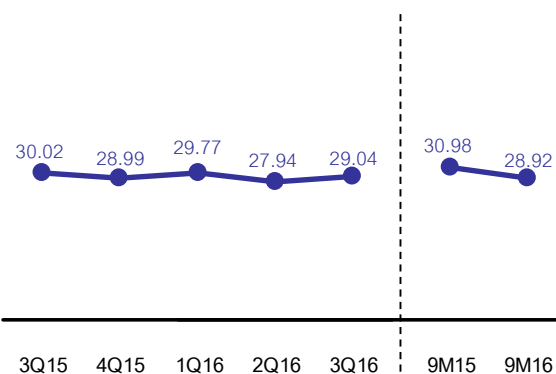
Consequently, non-interest income ratio in the third quarter of 2016 was 29.04 percent, an increase from 27.94 percent in the previous quarter.

**Non-interest income of the Company and its subsidiaries in the nine-month period of 2016 was 8,672 million baht, a decrease of 640 million baht or 6.87 percent from the same period last year.** The decrease was mainly due to a decrease in gains on investments.

- Net fees and service income amounted to 4,106 million baht, an increase of 33 million baht or 0.81 percent. This was a result of increases in brokerage fees and fees from securities business.
- Operating income amounted to 4,566 million baht, a decrease of 673 million baht or 12.85 percent. This was mainly due to a decrease in gains on investments which was in line with the fluctuation of government bond yield.

Consequently, non-interest income ratio in the nine-month period of 2016 was 28.92 percent, a decrease from 30.98 percent in the same period last year.



Non-interest Income (Million Baht)

Non-interest Income Ratio (%)


### Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	3Q16	2Q16	Change		9M16	9M15	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,985	2,890	95	3.29	8,740	8,377	363	4.33
Premises and Equipment Expenses	772	764	8	1.05	2,292	2,202	90	4.09
Taxes and Duties	197	192	5	2.60	589	652	(63)	(9.66)
Directors' Remuneration	10	53	(43)	(81.13)	72	69	3	4.35
Other Expenses	1,343	1,233	110	8.92	3,880	3,553	327	9.20
<b>Total Other Operating Expenses</b>	<b>5,307</b>	<b>5,132</b>	<b>175</b>	<b>3.41</b>	<b>15,573</b>	<b>14,853</b>	<b>720</b>	<b>4.85</b>

**In the third quarter of 2016, other operating expenses of the Company and its subsidiaries amounted to 5,307 million baht, an increase of 175 million baht or 3.41 percent from the previous quarter. Key factors include the following.**

- Employee's expenses increased by 95 million baht or 3.29 percent following an increase in incentive expenses.
- Other expenses increased by 110 million baht or 8.92 percent. This was mainly from prudent management of property foreclosed, advertising, and sales promotion expenses from several new products launches.

However, cost to income ratio of the third quarter of 2016 was 51.71 percent, a decrease from 52.24 percent in the previous quarter, due to the increase in total income.

**For the nine-month period of 2016, other operating expenses of the Company and its subsidiaries amounted to 15,573 million baht, an increase of 720 million baht or 4.85 percent from the same period last year. Key factors include the following.**

- Employee's expenses increased by 363 million baht or 4.33 percent following the annual salary increase and incentive expenses.

- Other expenses increased by 327 million baht or 9.20 percent, due mainly from prudent management in property foreclosed, advertising, and sales promotion expenses.

As a result, cost to income ratio in the nine-month period of 2016 was 51.93 percent, an increase from 49.42 percent in the same period last year.

### Impairment Loss of Loans and Debt Securities

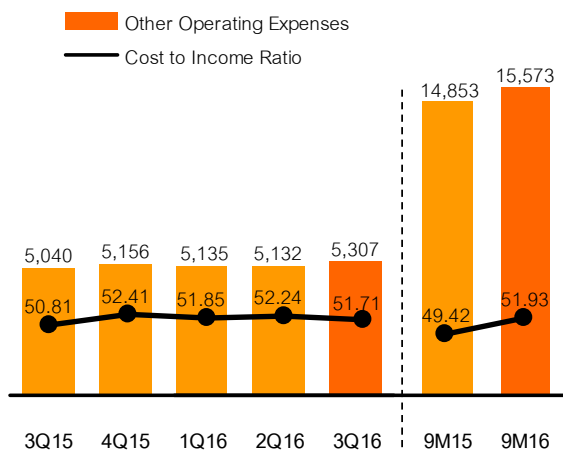
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	3Q16	2Q16	Change		9M16	9M15	Change	
			+/( -)	%			+/( -)	%
Impairment Loss of Loans and Debt Securities	1,470	1,173	297	25.32	3,947	4,911	(964)	(19.63)
Impairment Loss of Loans -Special Provision	206	235	(29)	(12.34)	905	1,976	(1,071)	(54.20)
Total Impairment Loss of Loans and Debt Securities	1,676	1,408	268	19.03	4,852	6,887	(2,035)	(29.55)
Credit Cost (%)	0.91	0.78	0.13	16.67	0.88	1.22	(0.34)	(27.87)
Credit Cost Excluding Special Provision (%)	0.80	0.65	0.15	23.08	0.72	0.87	(0.15)	(17.24)

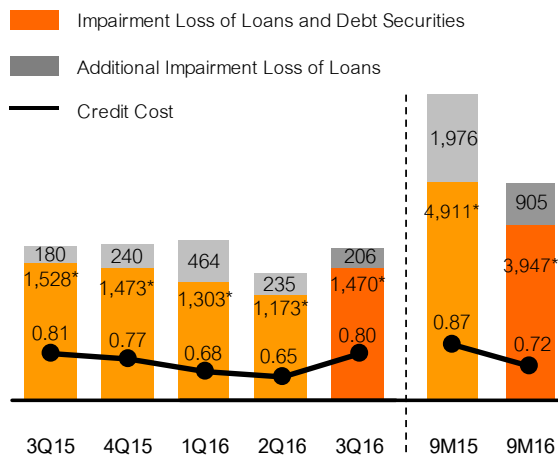
From the effective management of NPLs, Thanachart Group's asset quality remained strong. However, the Group set aside more impairment loss of loans to enhance financial position and to be cautious against the economic uncertainties and future regulations. As a result, **Thanachart Group's had impairment loss of loans excluding special provision in the third quarter of 2016 in the amount of 1,470 million baht, an increase of 297 million baht or 25.32 percent** from the previous quarter. Credit cost was at 0.80 percent, an increase from 0.65 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 206 million baht.

**For the nine-month period of 2016, the Company and its subsidiaries had impairment loss of loans excluding special provision amounting to 3,947 million baht, a decrease of 964 million baht or 19.63 percent** from the same period last year. Credit cost was at 0.72 percent, a decrease from 0.87 percent. In addition, Thanachart Bank has provided a special provision in the amount of 905 million baht in the nine-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 NPLs section.

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



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



\*Normal operation

## Income Tax

For the third 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 third quarter of 2016, the Company and its subsidiaries had income tax of 189 million baht.

For the nine-month period of 2016, the Company and its subsidiaries had income tax of 505 million baht.

## Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	30 September 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	86,868	8.74	58,138	5.83	28,730	49.42
Investment-net	184,475	18.56	184,562	18.50	(87)	(0.05)
Investment in Associated Company-net	3,037	0.30	2,353	0.24	684	29.07
Loans to Customers and Accrued Interest Receivables	680,903	68.52	715,295	71.70	(34,392)	(4.81)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,752)	(2.49)	(26,244)	(2.63)	1,492	(5.69)
Property foreclosed-net	5,816	0.59	6,334	0.63	(518)	(8.18)
Intangible Assets Acquired in a Business Combination-net	1,173	0.12	1,511	0.15	(338)	(22.37)
Goodwill	17,381	1.75	17,207	1.73	174	1.01
Other Assets	38,823	3.91	38,425	3.85	398	1.04
<b>Total Assets</b>	<b>993,724</b>	<b>100.00</b>	<b>997,581</b>	<b>100.00</b>	<b>(3,857)</b>	<b>(0.39)</b>
Deposits	691,573	69.59	669,454	67.11	22,119	3.30
Interbank and Money Market Items	73,333	7.38	85,600	8.58	(12,267)	(14.33)
Debt Issued and Borrowings	65,415	6.58	84,929	8.51	(19,514)	(22.98)
Other Liabilities	46,081	4.64	46,275	4.64	(194)	(0.42)
<b>Total Liabilities</b>	<b>876,402</b>	<b>88.19</b>	<b>886,258</b>	<b>88.84</b>	<b>(9,856)</b>	<b>(1.11)</b>
Company's Shareholders' Equity	55,738	5.61	52,674	5.28	3,064	5.82
Non-controlling Interests	61,584	6.20	58,649	5.88	2,935	5.00
<b>Total Shareholders' Equity</b>	<b>117,322</b>	<b>11.81</b>	<b>111,323</b>	<b>11.16</b>	<b>5,999</b>	<b>5.39</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>993,724</b>	<b>100.00</b>	<b>997,581</b>	<b>100.00</b>	<b>(3,857)</b>	<b>(0.39)</b>
Book Value per Share (Baht)	47.84		45.21			

### Assets

As of 30 September 2016, **Thanachart Group's total assets amounted to 993,724 million baht, a decrease of 3,857 million baht or 0.39 percent** from the end of 2015. Key factors are as follows:

- Net interbank and money market amounted to 86,868 million baht, an increase of 28,730 million baht or 49.42 percent from the end of the previous year due to excess liquidity management.
- Loans and accrued interest receivables amounted to 680,903 million baht, a decrease of 34,392 million baht or 4.81 percent from the end of last year. Hire purchase loans still slowed down and declined in line with the automotive market condition while other retail loans increased. 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 September 2016 were 876,402 million baht, a decrease of 9,856 million baht or 1.11 percent from the end of 2015. The key items were as follows:**

Unit: Million Baht

	30 September 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Deposits						
Current	11,436	1.65	9,779	1.46	1,657	16.94
Savings	311,844	45.09	258,887	38.67	52,957	20.46
Fixed Deposits						
Less than 6 Months	43,631	6.31	38,632	5.77	4,999	12.94
6 Months and up to 1 Year	95,469	13.81	122,076	18.24	(26,607)	(21.80)
Over 1 Year	100,511	14.53	126,482	18.89	(25,971)	(20.53)
Certificate of Deposit	128,682	18.61	113,598	16.97	15,084	13.28
<b>Total Deposits</b>	<b>691,573</b>	<b>100.00</b>	<b>669,454</b>	<b>100.00</b>	<b>22,119</b>	<b>3.30</b>

- Deposits were 691,573 million baht, an increase of 22,119 million baht or 3.30 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 46.74 percent, an increase from 40.13 percent at the end of last year.

- Debt issued and borrowings amounted to 65,415 million baht, a decrease of 19,514 million baht or 22.98 percent from the end of last year. This was mainly due to a decrease in short-term debentures.
- Interbank and money market items were 73,333 million baht, a decrease of 12,267 million baht or 14.33 percent from the end of last year. This was due to liquidity management.

## Shareholders' Equity

**Total shareholders' equity as of 30 September 2016 was 117,322 million baht, an increase of 5,999 million baht or 5.39 percent from the end of 2015. The total shareholders' equity comprised of the following:**

- Equity attributable to the owners of the Company was 55,738 million baht, an increase of 3,064 million baht or 5.82 percent. This was mainly from an increase in operating profit attributable to the Company in the nine-month period of 2016 amounting to 4,319 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 and interim

dividend for the performance of the first six-month period of 2016 in the amount of 932 million baht.

- Equity attributable to non-controlling interest amounted to 61,584 million baht, an increase of 2,935 million baht or 5.00 percent, mainly from the operating results and premium on land revaluation of the subsidiary companies.

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

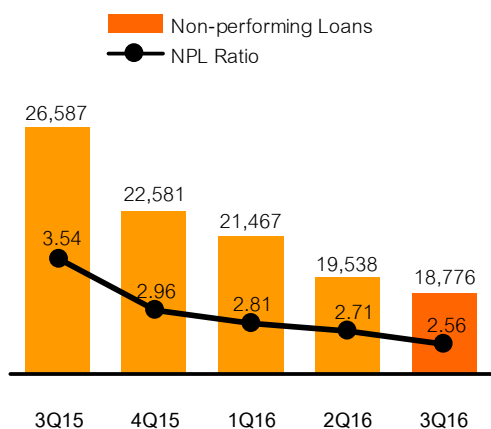
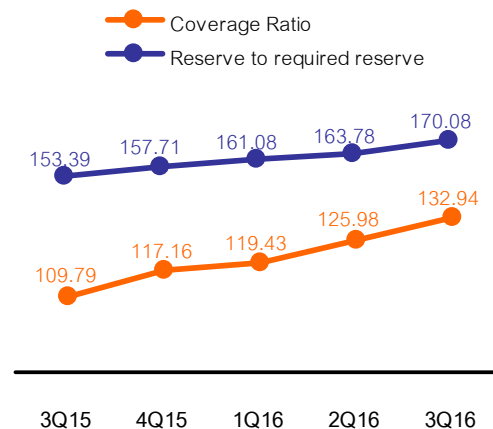
	TCAP (Consol.)				
	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16
NPL-gross (Million Baht)	26,587	22,581	21,467	19,538	18,776
Total Allowance* (Million Baht)	29,189	26,456	25,639	24,615	24,961
NPL-gross to Total Loans (%)	3.54	2.96	2.81	2.71	2.56
NPL-net to Total Loans (%)	1.55	1.30	1.24	1.18	1.06
Reserve to Required Reserve (%)	153.39	157.71	161.08	163.78	170.08
Coverage Ratio (%)	109.79	117.16	119.43	125.98	132.94

\* Including revaluation allowance for debt restructuring

Under the market and economic conditions that continued to gradually grow 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 September 2016 **amounted to 18,776 million baht, a decrease of 3,805 million baht or 16.85 percent** from the end of last year. Consequently, NPLs have been declining for the ninth consecutive quarter.

**Non-performing loans to total loans to customers (NPL Ratio) was at 2.56 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 7,686 million baht while the ratio of NPL-net to total loans was at 1.06 percent.

**Coverage ratio at the end of September 2016 was at 132.94 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 170.08 percent at the end of the third quarter of 2016, an increase from 157.71 percent from the end of 2015. Excess reserve was 10,285 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)				
		3Q16	2Q16	3Q15	9M16	9M15
Thanachart Bank Public Company Limited						
Consolidated Financial Statements		3,202	3,158	2,713	9,204	7,976
Thanachart Securities Public Company Limited	50.96%	216	92	89	447	366
Thanachart Fund Management Company Limited	38.22%	93	92	83	271	240
Thanachart Insurance Public Company Limited	50.96%	256	267	298	774	898
TS AMC Company Limited	50.96%	163	116	120	208	53
Ratchthani Leasing Public Company Limited	33.22%	218	216	215	644	579
NFS AMC Company Limited	100.00%	(8)	(15)	11	(33)	43
MAX AMC Company Limited	83.44%	15	50	4	59	(3)
MBK Life Assurance Public Company Limited*	51.00%	(27)	(19)	(47)	(169)	(75)

\*Siam City Life Assurance Public Company Limited has registered to change its name to MBK Life Assurance Public Company Limited on 8 August 2016

## **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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