



Management Discussion and Analysis

For the three-month period ended 31 March 2017

(Reviewed Financial Statements)

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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 in the first quarter of 2017 showed a sign of growth from the previous quarter. The key drivers still relied on government spending. Export sector began to pick up especially in the electronic products which were in higher demand. Tourism continued to grow while private consumption improved quite gradually following higher household income. Private investment maintained with interest in only a specific sector. Overall, the Thai economy showed signs of improvement with increase in headline inflation. However, the global economy has been in a slow recovery. Consequently, the Monetary Policy Committee of the Bank of Thailand issued a resolution to maintain the policy rate at 1.50 percent to further support economic expansion.

In the first quarter of 2017, loan volume in the commercial bank industry slowed down. This was a result of limited opportunity for investment only in a specific sector and dampened abilities to service debt especially in the SME loan clients. As a result, commercial banks are more cautious in credit policy. On the other hand, deposit volume was able to expand in order to support future growth of loan volume.

Key Events in the First Quarter of 2017

On 5 April 2017, the Annual General Meeting of Shareholders for the year 2017 of Thanachart Capital Public Company Limited (“the Company”) had a resolution to pay dividend to shareholders at the rate of 1.20 baht per share, amounting to 1,398 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.80 baht per share or 932 million baht, total dividend payment amounted to 2.00 baht per share or 2,330 million baht. The dividend payment is scheduled to be made on 3 May 2017.

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

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-17	31-Mar-16	31-Dec-16
Operating Performance (Million Baht)			
Interest Income	10,849	11,649	10,988
Interest Expenses	3,762	4,694	3,838
Net Interest Income	7,087	6,955	7,150
Non-interest Income	2,865	2,948	3,607
Net Operating Income ⁽¹⁾	9,952	9,903	10,757
Other Operating Expenses	5,466	5,135	5,499
Pre-Provision Operating Profit (PPOP)	4,486	4,768	5,258
Impairment Loss of Loans and Debt Securities	852	1,767	1,359
Profit before Tax	3,634	3,001	3,899
Income Tax	317	186	347
Profit for the Period	3,317	2,815	3,552
Net Profit Attributable to the Company	1,602	1,350	1,695
Operating Performance Ratios (Percent)			
ROAA	1.37	1.13	1.47
ROAE ⁽²⁾	11.09	9.99	12.03
Interest Spread ⁽³⁾	2.89	2.70	2.92
Loan Spread ⁽⁴⁾	3.76	3.56	3.81
Credit Cost	0.48	0.92	0.76
Non-interest Income Ratio ⁽⁵⁾	28.80	29.77	33.53
Cost to Income Ratio ⁽⁶⁾	54.92	51.85	51.13
Financial Position (Million Baht)	31-Mar-17	31-Mar-16	31-Dec-16
Loans	683,210	700,651	692,046
Total Assets	972,981	1,000,124	966,867
Deposits	675,909	679,037	676,456
Total Liabilities	849,538	883,585	847,016
Total Equity	123,443	116,539	119,851
Financial Position Quality			
Loans to Deposits (%)	101.08	103.18	102.30
Non-performing Loans (Million Baht)	16,441	21,467	17,289
NPL Ratio (%)	2.32	2.81	2.41
Coverage Ratio ⁽⁷⁾ (%)	152.12	119.43	146.79
Reserve to Required Reserve ⁽⁸⁾ (%)	194.43	161.08	189.19

(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 First Quarter of 2017

Performance Overview

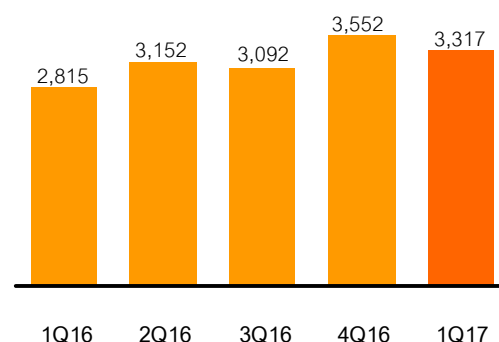
Thanachart Capital Public Company Limited (“the Company”) operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company’s performance is mainly from the performance of Thanachart Bank and its subsidiaries. The Company holds shares in Thanachart 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 first quarter of 2017, **Thanachart Capital and its subsidiaries’ net profit according to the consolidated financial statements amounted to 3,317 million baht, an increase of 502 million baht or 17.83 percent** comparing to that of the same quarter last year. This was due to the fact that **Thanachart Bank and its subsidiaries which are the Group’s main businesses still had a continuous growth in their performances for ninth consecutive quarter** from a shift in its strategies to cope with an economic recovery situation by focusing on maintaining the strength of asset quality, an effective management of impairment loss of loans, an appropriate cost of deposit management, as well as a growth of fees and service income base.

Net operating income of the Company and its subsidiaries increased and impairment loss of loans and debt securities decreased. At the same time, operating expenses increased. As a result, **the net profit attributable to the Company in the first quarter of 2017 amounted to 1,602 million baht, an increase of 252 million baht or 18.67 percent** from the same quarter last year.

Total assets of Thanachart Group slightly increased from the end of the previous year. Hire purchase and retail loans increased while corporate and SME

Net Profit of Thanachart Group (Million Baht)



loans decreased, resulting in a decrease in total loans.

NPLs of Thanachart Group continued to decline and decreased by 848 million baht from the end of 2016 which was the eleventh consecutive quarter. As a result, **NPL ratio decreased to 2.32 percent while coverage ratio improved to stand at 152.12 percent.** The improvements were reflected from the improvement of the Bank’s NPL and coverage ratios. 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 19.55 percent,** an increase from 19.15 percent at the end of 2016.

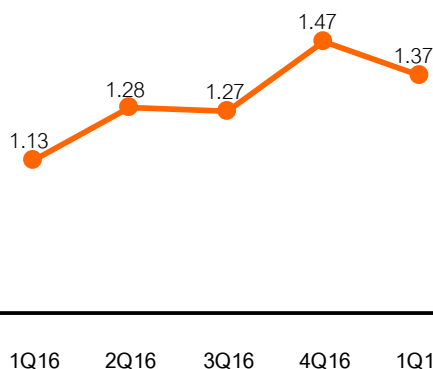
Summary of key operating results in **the first quarter of 2017 comparing with the first quarter of 2016** is as follows:

- Net interest income increased by 1.90 percent from an appropriate management of funding costs. As a result, interest spread increased from 2.70 to 2.89 percent.
- Non-interest income decreased by 2.82 percent, mainly from a decrease in gains on investments.
- Operating expenses increased by 6.45 percent from increases in employees' compensation and other expenses on IT systems and reorganization.
- Impairment loss of loans and debt securities decreased by 51.78 percent from an effective management of asset quality.
- Net profit of Thanachart Group increased by 17.83 percent.
- NPL Ratio decreased to 2.32 percent while coverage ratio increased to 152.12 percent.

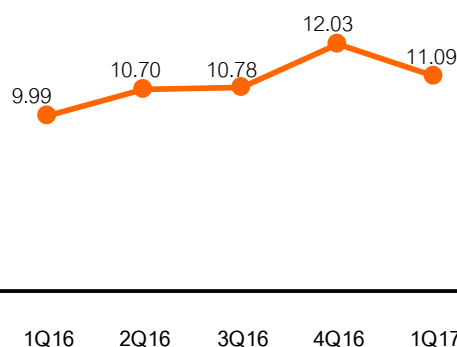
In the first quarter of 2017, net profit attributable to the Company was 1,602 million baht, an increase of 252 million baht or 18.67 percent from the same quarter last year. Earning per share (EPS) was 1.38 baht, an increase from 1.16 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company's shareholders were at 1.37 percent and 11.09 percent respectively.

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-17	31-Mar-16	31-Dec-16
Net Profit (Million Baht)			
Profit for the period	3,317	2,815	3,552
Net Profit Attributable to the Company	1,602	1,350	1,695
Net Profit Attributable to Non-controlling interests	1,715	1,465	1,857
Basic Earning per Share (Baht)	1.38	1.16	1.45

ROAA (%)



ROAE* (%)



*Equity attributable to the Company's shareholders

Net Interest Income

Unit: Million Baht

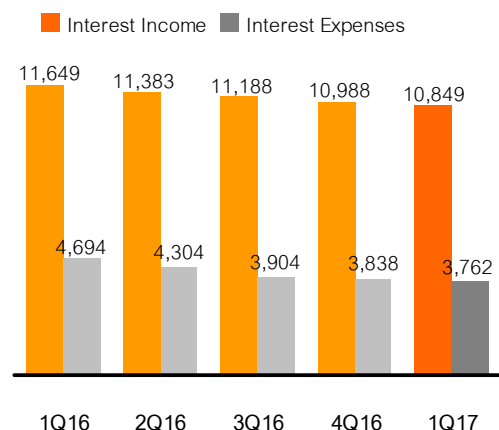
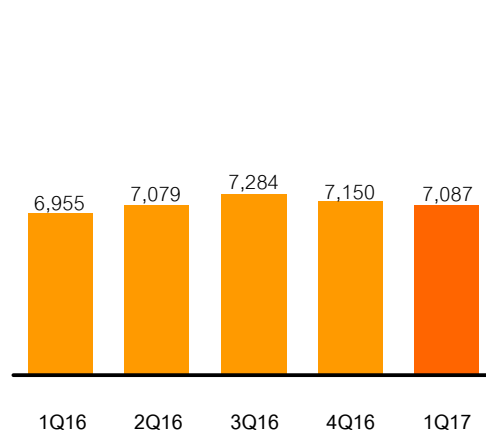
Net Interest Income	1Q17	1Q16	Change	
			+ / (-)	%
Interest Income	10,849	11,649	(800)	(6.87)
Interbank and Money Market Items	270	415	(145)	(34.94)
Investments for trading	58	64	(6)	(9.38)
Investments for debts securities	830	876	(46)	(5.25)
Loans	4,362	4,737	(375)	(7.92)
Hire Purchase and Financial Leases	5,329	5,557	(228)	(4.10)
Interest Expenses	3,762	4,694	(932)	(19.86)
Deposits	2,054	2,786	(732)	(26.27)
Interbank and Money Market Items	185	201	(16)	(7.96)
Fund Contributed to FIDF and DPA	807	859	(52)	(6.05)
Debts Issued	714	846	(132)	(15.60)
Borrowing Fee	2	2	-	-
Net Interest Income	7,087	6,955	132	1.90

In the first quarter of 2017, the Company and its subsidiaries had 7,087 million baht in net interest income, an increase of 132 million baht or 1.90 percent comparing with the same quarter last year. Interest Spread was at 2.89 percent, an increase from 2.70 percent.

- Interest income was 10,849 million baht, a decrease of 800 million baht or 6.87 percent. This was mainly from loans contraction and a decrease in yield on earning assets following the Bank's loan rates cuts which were in line with the market interest rate.
- Interest expenses were 3,762 million baht, a decrease of 932 million baht or 19.86 percent. This was mainly due to the effective cost of fund management under the Bank's strategy to manage liquidity as well as the Bank's deposits restructuring.

Unit: Percent

	1Q16	2Q16	3Q16	4Q16	1Q17
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50
Yield	4.95	4.91	4.91	4.83	4.77
Cost of Fund	2.25	2.10	1.93	1.91	1.88
Interest Spread	2.70	2.81	2.98	2.92	2.89

Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)


Non-interest Income

Unit: Million Baht

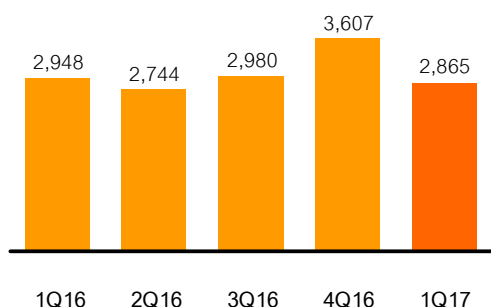
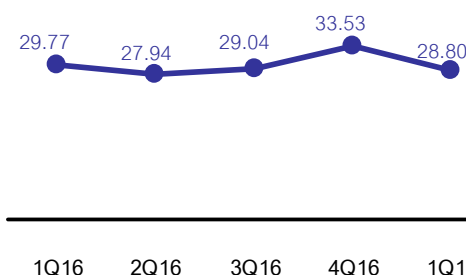
Non-interest Income	1Q17	1Q16	Change	
			+ / (-)	%
Net Fees and Service Income	1,440	1,291	149	11.54
Gains on Trading and Foreign Exchange Transactions	185	328	(143)	(43.60)
Gains on Investments	191	517	(326)	(63.06)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	75	109	(34)	(31.19)
Net Insurance / Life Insurance Income	567	331	236	71.30
Dividend Income	89	57	32	56.14
Other Income	318	315	3	0.95
Operating Income	1,425	1,657	(232)	(14.00)
Non-interest Income	2,865	2,948	(83)	(2.82)

Non-interest income of the Company and its subsidiaries in the first quarter of 2017 was 2,865 million baht, a decrease of 83 million baht or 2.82 percent from the same quarter last year.

This was mainly due to the following.

- Net fees and service income amounted to 1,440 million baht, an increase of 149 million baht or 11.54 percent. This was mainly due to commission received from selling insurance/life insurance and fund management fees and securities business.
- Operating income amounted to 1,425 million baht, a decrease of 232 million baht or 14.00 percent. This was mainly due to a decrease in gains on investments. At the same time, net insurance / life insurance income increased from the fact that in the first quarter of 2016 bond yield was irregularly low which resulted in an increase in insurance provision according to GPV method.

As a result, non-interest income ratio in the first quarter of 2017 was at 28.80 percent, a decrease from 29.77 percent of the same quarter last year.

Non-interest Income (Million Baht)

Non-interest Income Ratio (%)


Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	1Q17	1Q16	Change	
			+ / (-)	%
Employee's Expenses	3,074	2,865	209	7.29
Premises and Equipment Expenses	711	755	(44)	(5.83)
Taxes and Duties	187	200	(13)	(6.50)
Directors' Remuneration	10	10	-	-
Other Expenses	1,484	1,305	179	13.72
Total Other Operating Expenses	5,466	5,135	331	6.45

In the first quarter of 2017, other operating expenses of the Company and its subsidiaries amounted to 5,466 million baht, an increase of 331 million baht or 6.45 percent from the same quarter last year. Key factors include the following.

- Employee's expenses increased by 209 million baht or 7.29 percent. This was due to an increase in annual salary and bonus as well as incentive expenses that increased in line with the sale volume.
- Other expenses increased by 179 million baht or 13.72 percent. This was due mainly from expenses on IT systems, advertising costs, and expenses related to reorganization.

As a result, cost to income ratio in the first quarter of 2017 was 54.92 percent, an increase from 51.85 percent of the same quarter last year.

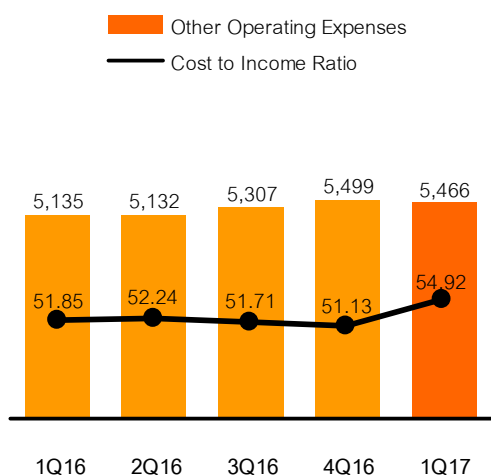
Impairment Loss of Loans and Debt Securities

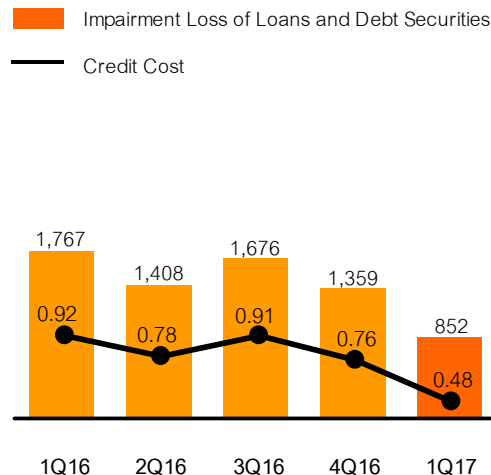
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	1Q17	1Q16	Change	
			+ / (-)	%
Impairment Loss of Loans and Debt Securities	852	1,767	(915)	(51.78)
Credit Cost (%)	0.48	0.92	(0.44)	(47.83)

In the first quarter of 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 852 million baht, a decrease of 915 million baht or 51.78 percent from the same quarter last year. Credit cost was at 0.48 percent, a decrease from 0.92 percent. This was due to an effective risk management.

Other Operating Expenses (Million Baht)

and Cost to Income Ratio (%)

Impairment Loss of Loans and Debt Securities (Million Baht)

and Credit Cost (%)


Income Tax

In the first quarter of 2017, 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.

Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 March 2017		31 December 2016		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	39,341	4.04	48,734	5.04	(9,393)	(19.27)
Investment-net	213,047	21.90	186,928	19.33	26,119	13.97
Investment in Associated Company-net	2,823	0.29	2,890	0.30	(67)	(2.32)
Loans	683,210	70.22	692,046	71.58	(8,836)	(1.28)
Accrued Interest Receivables	577	0.06	631	0.06	(54)	(8.56)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,796)	(2.55)	(25,155)	(2.60)	359	(1.43)
Property foreclosed-net	4,851	0.50	4,992	0.52	(141)	(2.82)
Intangible Assets Acquired in a Business Combination	965	0.10	1,060	0.11	(95)	(8.96)
Goodwill	17,488	1.80	17,439	1.80	49	0.28
Other Assets	35,475	3.64	37,302	3.86	(1,827)	(4.90)
Total Assets	972,981	100.00	966,867	100.00	6,114	0.63
Deposits	675,909	69.47	676,456	69.96	(547)	(0.08)
Interbank and Money Market Items	59,722	6.14	65,701	6.80	(5,979)	(9.10)
Debt Issued and Borrowings	64,869	6.67	61,704	6.38	3,165	5.13
Other Liabilities	49,038	5.03	43,155	4.46	5,883	13.63
Total Liabilities	849,538	87.31	847,016	87.60	2,522	0.30
Company's Shareholders' Equity	58,621	6.03	56,891	5.89	1,730	3.04
Non-controlling Interests	64,822	6.66	62,960	6.51	1,862	2.96
Total Shareholders' Equity	123,443	12.69	119,851	12.40	3,592	3.00
Total Liabilities and Shareholders' Equity	972,981	100.00	966,867	100.00	6,114	0.63
Book Value per Share (Baht)	50.31		48.83			

Assets

As of 31 March 2017, **Thanachart Group's total assets amounted to 972,981 million baht, an increase of 6,114 million baht or 0.63 percent** from the end of 2016. Key factors are as follows:

- Net interbank and money market amounted to 39,341 million baht, a decrease of 9,393 million baht or 19.27 percent from the end of the previous year due to liquidity management.
- Net investment amounted to 213,047 million baht, an increase of 26,119 million baht or 13.97 percent from the end of last year. This was mainly due to an appropriate management of investment yield.
- Loans amounted to 683,210 million baht, a decrease of 8,836 million baht or 1.28 percent from the end of last year. Hire purchase loans started to pick up in line with the recovery of

automotive market condition while corporate and SME loans declined. Portion of retail loans to corporate and SME loans was 70 percent to 30 percent.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2017 were 849,538 million baht, an increase of 2,522 million baht or 0.30 percent from the end of 2016. The key items were as follows:

Unit: Million Baht

Deposits	31 March 2017		31 December 2016		Change	
	Amount	%	Amount	%	+ / (-)	%
Current	11,148	1.65	11,421	1.69	(273)	(2.39)
Savings	287,766	42.57	296,885	43.89	(9,119)	(3.07)
Fixed Deposits						
Less than 6 Months	39,501	5.85	39,442	5.83	59	0.15
6 Months and up to 1 Year	76,801	11.36	93,129	13.77	(16,328)	(17.53)
Over 1 Year	131,281	19.42	110,086	16.27	21,195	19.25
Certificate of Deposit	129,412	19.15	125,493	18.55	3,919	3.12
Total Deposits	675,909	100.00	676,456	100.00	(547)	(0.08)

- Deposits were 675,909 million baht, a decrease of 547 million baht or 0.08 percent from the end of the previous year. This was mainly from a decrease in savings deposits. As a result, the ratio of current and savings accounts to total deposits (CASA) was 44.22 percent, a decrease from 45.58 percent at the end of the previous year.
- Debt issued and borrowings amounted to 64,869 million baht, an increase of 3,165 million baht or 5.13 percent from the end of last year. This was mainly due to an increase in unsubordinated debentures.
- Interbank and money market items were 59,722 million baht, a decrease of 5,979 million baht or 9.10 percent from the end of last year. This was due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 31 March 2017 was 123,443 million baht, an increase of 3,592 million baht or 3.00 percent from the end of 2016. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 58,621 million baht, an increase of 1,730 million baht or 3.04 percent. This was mainly from an increase in operating profit attributable to the Company in the first quarter of 2017 amounting to 1,602 million baht.
- Equity attributable to non-controlling interest amounted to 64,822 million baht, an increase of 1,862 million baht or 2.96 percent, mainly from the operating results of subsidiary companies.

Non-performing Loans: NPLs

	TCAP (Consol.)				
	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17
NPL-gross (Million Baht)	21,467	19,538	18,776	17,289	16,441
Total Allowance* (Million Baht)	25,639	24,615	24,961	25,378	25,011
NPL-gross to Total Loans (%)	2.81	2.71	2.56	2.41	2.32
NPL-net to Total Loans (%)	1.24	1.18	1.06	1.12	1.12
Reserve to Required Reserve (%)	161.08	163.78	170.08	189.19	194.43
Coverage Ratio (%)	119.43	125.98	132.94	146.79	152.12

* Including allowance for interbank and money market items and revaluation allowance for debt restructuring.

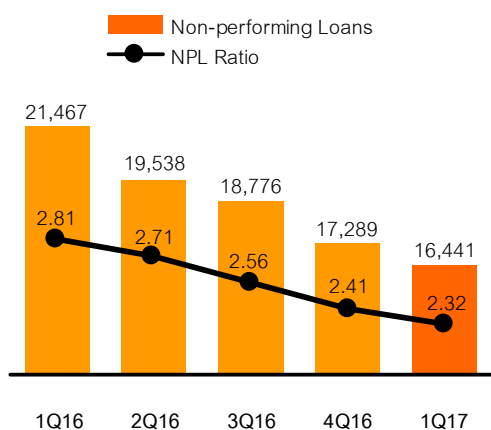
Under the market and economic conditions that continued to gradually grow, the Company and its subsidiaries managed to reduce NPLs through systematic and effective control. As a result, NPLs have been declining for the eleventh consecutive quarter. **NPLs** as of 31 March 2017 **amounted to 16,441 million baht, a decrease of 848 million baht or 4.90 percent** from the end of the previous year.

Non-performing loans to total loans to customers (NPL Ratio) was at 2.32 percent, a decrease from 2.41 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 7,791 million baht while the ratio of NPL-net to total loans was at 1.12 percent.

Coverage ratio at the end of March 2017 was at 152.12 percent, an increase from 146.79 percent at the end of December 2016. The ratio of reserve to required reserve under the BOT's regulation was at 194.43 percent at the end of the first quarter of 2017, an increase from 189.19 percent from the end of 2016. Excess reserve was 12,147 million baht.

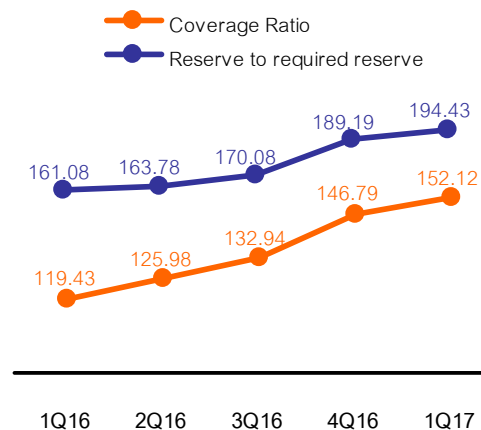
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)		
		1Q17	1Q16	4Q16
Thanachart Bank Public Company Limited				
Consolidated Financial Statements*		3,272	2,844	3,230
Thanachart Securities Public Company Limited	50.96%	168	139	215
Thanachart Fund Management Company Limited	38.22%	100	86	84
Thanachart Insurance Public Company Limited	50.96%	216	251	231
TS AMC Company Limited	50.96%	51	(71)	(19)
Ratchthani Leasing Public Company Limited	33.22%	246	210	237
NFS AMC Company Limited	100.00%	29	(10)	88
MAX AMC Company Limited	83.44%	1	(7)	34
MBK Life Assurance Public Company Limited	51.00%	(9)	(123)	291

*Only the profit attributable to the owners of Thanachart Bank.

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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