

MANAGEMENT DISCUSSION AND ANALYSIS

For the second quarter and the first six-month period ended 30 June 2017

(Audited Financial Statements)

Thanachart Capital Public Company Limited

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THANACHART CAPITAL PUBLIC COMPANY LIMITED

Management Discussion and Analysis (Audited Financial Statements)

Economics Outlook and Competition in Banking Industry

The Thai economy in the second quarter of 2017 showed 3.70 percent growth, higher than 3.30 percent in the previous quarter. The key drivers were the export sector, following improved economies of the trade partner countries, and tourism sector which continued to grow following the number of tourists. At the same time, private investment showed sign of improvement in the machinery and construction while private consumption has gradually picked up from higher income from the agricultural sector. Government spending has slowed down slightly from high budget disbursement in the previous period.

Although the Thai economy in the second quarter of 2017 showed positive growth based on export, tourism, private investment and private consumption, the headline inflation has slowed down from the decline in food and global oil price. Consequently the Monetary Policy Committee of the Bank of Thailand issued a resolution to remain the policy rate at 1.50 percent per annum to help stimulate the economic growth.

Loan volume experienced growth from the previous quarter in line with the recovering economic condition. Financial institutions continued to exercise caution in the credit approval process to mitigate possible risk that may occur, while deposit volume grew following loan growth.

Key Events in the Second 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 was 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

Financial Highlights

| Audited Financial Statements | For the 3 months ended | | | For the 6 months ended | |
|--|------------------------|--------------|--------------|------------------------|--------------|
| | 30-Jun-17 | 31-Mar-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 |
| Operating Performance (Million Baht) | | | | | |
| Interest Income | 11,092 | 10,849 | 11,383 | 21,941 | 23,031 |
| Interest Expenses | 3,858 | 3,762 | 4,304 | 7,620 | 8,998 |
| Net Interest Income | 7,234 | 7,087 | 7,079 | 14,321 | 14,033 |
| Non-interest Income | 3,259 | 2,844 | 2,878 | 6,103 | 5,699 |
| Net Operating Income ⁽¹⁾ | 10,493 | 9,931 | 9,957 | 20,424 | 19,732 |
| Other Operating Expenses | 5,514 | 5,445 | 5,266 | 10,959 | 10,273 |
| Pre-Provision Operating Profit (PPOP) | 4,979 | 4,486 | 4,691 | 9,465 | 9,459 |
| Impairment Loss of Loans and Debt Securities | 1,369 | 852 | 1,408 | 2,221 | 3,175 |
| Profit before Tax | 3,610 | 3,634 | 3,283 | 7,244 | 6,284 |
| Income Tax | 197 | 317 | 131 | 514 | 317 |
| Profit for the Period | 3,413 | 3,317 | 3,152 | 6,730 | 5,967 |
| Net Profit Attributable to the Company | 1,675 | 1,602 | 1,466 | 3,277 | 2,817 |
| Operating Performance Ratios (Percent) | | | | | |
| ROAA | 1.40 | 1.37 | 1.28 | 1.38 | 1.20 |
| ROAE ⁽²⁾ | 11.47 | 11.09 | 10.70 | 11.30 | 10.37 |
| Interest Spread ⁽³⁾ | 2.91 | 2.89 | 2.81 | 2.90 | 2.76 |
| Loan Spread ⁽⁴⁾ | 3.81 | 3.76 | 3.68 | 3.78 | 3.62 |
| Credit Cost | 0.75 | 0.48 | 0.78 | 0.61 | 0.88 |
| Non-interest Income Ratio ⁽⁵⁾ | 31.05 | 28.64 | 28.91 | 29.88 | 28.88 |
| Cost to Income Ratio ⁽⁶⁾ | 52.56 | 54.82 | 52.88 | 53.66 | 52.06 |
| | 30-Jun-17 | 31-Mar-17 | 31-Dec-16 | | |
| Financial Position (Million Baht) | | | | | |
| Loans | 696,333 | 683,210 | 692,046 | | |
| Total Assets | 980,426 | 972,981 | 966,867 | | |
| Deposits | 665,968 | 675,909 | 676,456 | | |
| Total Liabilities | 855,902 | 849,538 | 847,016 | | |
| Total Equity | 124,524 | 123,443 | 119,851 | | |
| Financial Position Quality | | | | | |
| Loans to Deposits (%) | 104.56 | 101.08 | 102.30 | | |
| Non-performing Loans (Million Baht) | 16,441 | 16,441 | 17,289 | | |
| NPL Ratio (%) | 2.26 | 2.32 | 2.41 | | |
| Coverage Ratio ⁽⁷⁾ (%) | 142.70 | 152.12 | 146.79 | | |
| Reserve to Required Reserve ⁽⁸⁾ (%) | 176.91 | 194.43 | 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 Second Quarter and the First Six-month 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 second quarter of 2017, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 3,413 million baht, an increase of 96 million baht or 2.89 percent from the previous quarter. This was a result of **the success in implementing Customer Centric strategy by focusing on being the Main Bank. As a result, Thanachart Bank and its subsidiaries showed a continuous growth in their performances.** Total income base of the Company and its subsidiaries increased in both net interest income and non-interest income while operating expenses increase slightly. This led to an increase in pre-provision operating profit (PPOP). Also, impairment loss of loans increased in line with the loan growth.

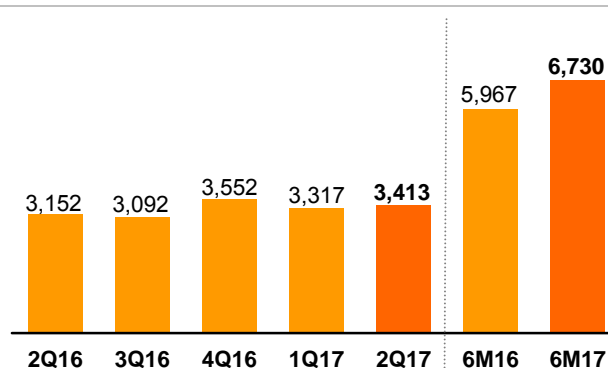
For the first six-month period of 2017, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 6,730 million baht, an increase of 763 million baht or 12.79 percent from the same period last year. This was a result of an increase in total income base as well as an effective management of impairment loss of loans.

Total assets of Thanachart Group increased from the end of the previous year following the increase in total loans which led by a continuous growth of retail loans, especially hire purchase loans. When comparing with the previous quarter, loans of Thanachart Group increased by 1.92 percent which came from all types of loans.

NPLs of Thanachart Group declined by 848 million baht from the end of 2016. As a result, NPL ratio

decreased to 2.26 percent while coverage ratio declined to stay at 142.70 percent. These were reflected from 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 20.39 percent,** an increase from 19.15 percent at the end of 2016.

Net Profit of Thanachart Group (Million Baht)



In the second quarter of 2017, net profit attributable to the Company was 1,675 million baht, an increase of 73 million baht or 4.56 percent from the previous quarter. Earning per share (EPS) was 1.44 baht, an increase from 1.38 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company’s shareholders were at 1.40 percent and 11.47 percent respectively.

For the first six-month period of 2017, **net profit attributable to the Company was 3,277 million baht, an increase of 460 million baht or 16.33 percent** from the same period last year. EPS was 2.81 baht, an increase from 2.42 baht. ROAA and ROAE of the Company's shareholders were at 1.38 percent and 11.30 percent respectively.

Summary of Key Operating Results

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

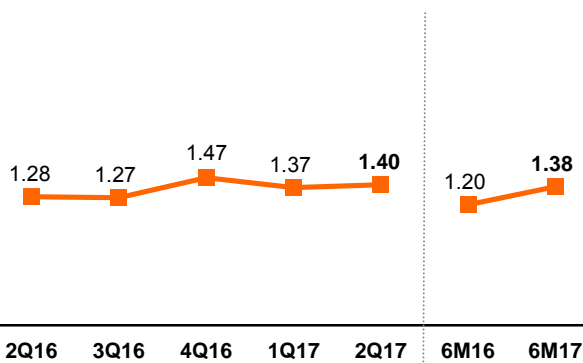
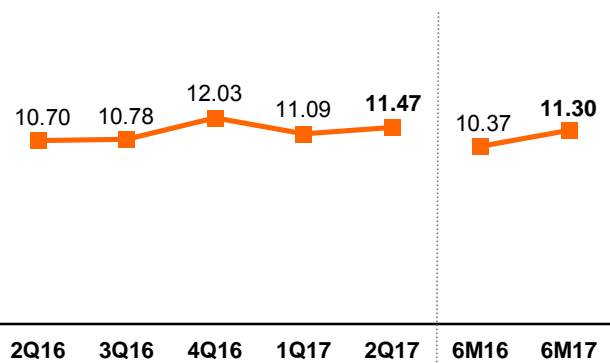
- Net profit of Thanachart Group increased by 2.89 percent.
- Net interest income increased by 2.07 percent as a result of an increase in total loans and a widened interest spread from 2.89 percent to 2.91 percent.
- Non-interest income increased by 14.59 percent, mainly from dividend income and gains on investments.
- Operating expenses increased slightly by 1.27 percent as a result of reorganization.
- Pre-provision operating profit (PPOP) increased by 10.99 percent from an increase in income base as well as an effective management of operating expenses.
- Impairment loss of loans and debt securities increased by 60.68 percent from loan growth.
- NPL Ratio decreased to 2.26 percent while coverage ratio was at 142.70 percent.

Summary of key operating results in **the first six-month period of 2017 comparing with the same period last year** is as follows:

- Net profit of Thanachart Group increased by 12.79 percent, due to an increase in income base as well as a decrease in impairment loss of loans expenses.
- Net interest income increased by 2.05 percent from a growth of loans and an appropriate management of deposit costs which resulted in an increase in interest spread from 2.76 percent to 2.90 percent.
- Non-interest income increased by 7.09 percent, mainly from net fees and service income and net insurance / life insurance income.
- Operating expenses increased by 6.68 percent from expenses on reorganization.
- Impairment loss of loans expenses decreased by 30.05 percent from an effective management of asset quality.

Net Profit (Million Baht)

| Audited Financial Statements | For the 3 months ended | | | For the 6 months ended | |
|---|------------------------|-----------|-----------|------------------------|-----------|
| | 30-Jun-17 | 31-Mar-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 |
| Net Profit (Million Baht) | | | | | |
| Profit for the Period | 3,413 | 3,317 | 3,152 | 6,730 | 5,967 |
| Net Profit Attributable to the Company | 1,675 | 1,602 | 1,466 | 3,277 | 2,817 |
| Net Profit Attributable to Non-controlling Interest | 1,738 | 1,715 | 1,686 | 3,453 | 3,150 |
| Basic Earning per Share (Baht) | 1.44 | 1.38 | 1.26 | 2.81 | 2.42 |

ROAA (Percent)**ROAE* (Percent)**

*Equity attributable to the Company's shareholders

Net Interest Income**Net Interest Income (Million Baht)**

| | 2Q17 | 1Q17 | Change | | 6M17 | 6M16 | Change | |
|------------------------------------|---------------|---------------|------------|-------------|---------------|---------------|----------------|----------------|
| | | | + / (-) | % | | | + / (-) | % |
| Interest Income | 11,092 | 10,849 | 243 | 2.24 | 21,941 | 23,031 | (1,090) | (4.73) |
| Interbank and Money Market Items | 255 | 270 | (15) | (5.56) | 525 | 736 | (211) | (28.67) |
| Investments for Tradings | 63 | 58 | 5 | 8.62 | 121 | 119 | 2 | 1.68 |
| Investments for Debts Securities | 889 | 830 | 59 | 7.11 | 1,719 | 1,806 | (87) | (4.82) |
| Loans | 4,428 | 4,362 | 66 | 1.51 | 8,790 | 9,343 | (553) | (5.92) |
| Hire Purchase and Financial Leases | 5,457 | 5,329 | 128 | 2.40 | 10,786 | 11,027 | (241) | (2.19) |
| Interest Expenses | 3,858 | 3,762 | 96 | 2.55 | 7,620 | 8,998 | (1,378) | (15.31) |
| Deposits | 2,114 | 2,054 | 60 | 2.92 | 4,168 | 5,259 | (1,091) | (20.75) |
| Interbank and Money Market Items | 186 | 185 | 1 | 0.54 | 371 | 387 | (16) | (4.13) |
| Fund Contributed to FIDF and DPA | 827 | 807 | 20 | 2.48 | 1,634 | 1,700 | (66) | (3.88) |
| Debts Issued | 729 | 714 | 15 | 2.10 | 1,443 | 1,649 | (206) | (12.49) |
| Borrowing Fee | 2 | 2 | - | - | 4 | 3 | 1 | 33.33 |
| Net Interest Income | 7,234 | 7,087 | 147 | 2.07 | 14,321 | 14,033 | 288 | 2.05 |

In the second quarter of 2017, the Company and its subsidiaries had 7,234 million baht in net interest income, an increase of 147 million baht or 2.07 percent from the previous quarter. Interest Spread was at 2.91 percent, an increase from 2.89 percent.

- Interest income was 11,092 million baht, an increase of 243 million baht or 2.24 percent. This was due to loans expansion as well as an increase in yield on earning assets.
- Interest expenses were 3,858 million baht, an increase of 96 million baht or 2.55 percent. This was mainly from adjustment deposit composition structure.

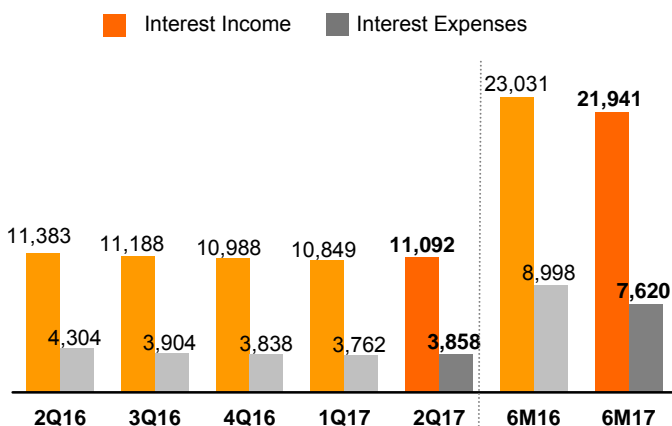
For the first six-month period of 2017, the Company and its subsidiaries had 14,321 million baht in net interest income, an increase of 288 million baht or 2.05 percent from the same period last year. Interest Spread was at 2.90 percent, an increase from 2.76 percent.

- Interest income was 21,941 million baht, a decrease of 1,090 million baht or 4.73 percent. This was mainly from a decrease in yield on earning assets following the downward trend of the market interest rate.
- Interest expenses were 7,620 million baht, a decrease of 1,378 million baht or 15.31 percent. This was due mainly to the effective cost of fund management under the Bank's strategy to manage liquidity.

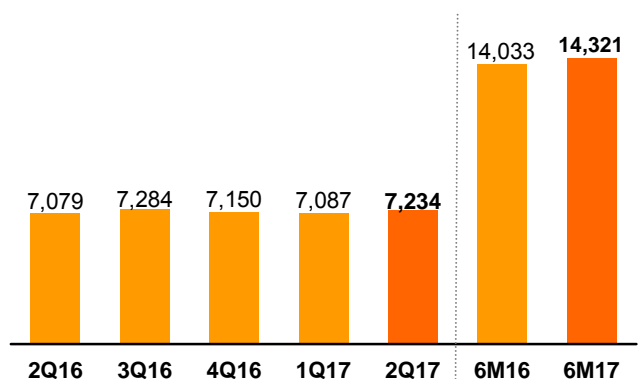
Yield, Cost of Fund, and Interest Spread (Percent)

| | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 6M16 | 6M17 |
|------------------------------|------|------|------|------|------|------|------|
| Average Policy Interest Rate | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Yield | 4.91 | 4.91 | 4.83 | 4.77 | 4.83 | 4.93 | 4.80 |
| Cost of Fund | 2.10 | 1.93 | 1.91 | 1.88 | 1.92 | 2.17 | 1.90 |
| Interest Spread | 2.81 | 2.98 | 2.92 | 2.89 | 2.91 | 2.76 | 2.90 |

Interest Income and Interest Expenses (Million Baht)



Net Interest Income (Million Baht)



Non-interest Income

| Non-interest Income (Million Baht) | | | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|------------|-------------|
| | 2Q17 | 1Q17 | Change | | 6M17 | 6M16 | Change | |
| | | | + / (-) | % | | | + / (-) | % |
| Net Fees and Service Income | 1,334 | 1,440 | (106) | (7.36) | 2,774 | 2,572 | 202 | 7.85 |
| Gains on Trading and F/X Transactions | 144 | 185 | (41) | (22.16) | 329 | 329 | - | - |
| Gains on Investments | 350 | 191 | 159 | 83.25 | 541 | 647 | (106) | (16.38) |
| Share of Profit from Investments in Associated Companies Accounted for under Equity Method | 105 | 75 | 30 | 40.00 | 180 | 223 | (43) | (19.28) |
| Gains (Loss) on Properties Foreclose and Other Assets | 104 | (21) | 125 | 595.24 | 83 | 7 | 76 | 1,085.71 |
| Net Insurance / Life Insurance Income | 580 | 567 | 13 | 2.29 | 1,147 | 939 | 208 | 22.15 |
| Dividend Income | 311 | 89 | 222 | 249.44 | 400 | 347 | 53 | 15.27 |
| Other Income | 331 | 318 | 13 | 4.09 | 649 | 635 | 14 | 2.20 |
| Total Operating Income | 1,925 | 1,404 | 521 | 37.11 | 3,329 | 3,127 | 202 | 6.46 |
| Total Non-interest Income | 3,259 | 2,844 | 415 | 14.59 | 6,103 | 5,699 | 404 | 7.09 |

Non-interest income of the Company and its subsidiaries in the second quarter of 2017 was 3,259 million baht, an increase of 415 million baht or 14.59 percent from the previous quarter. This was mainly due to the following.

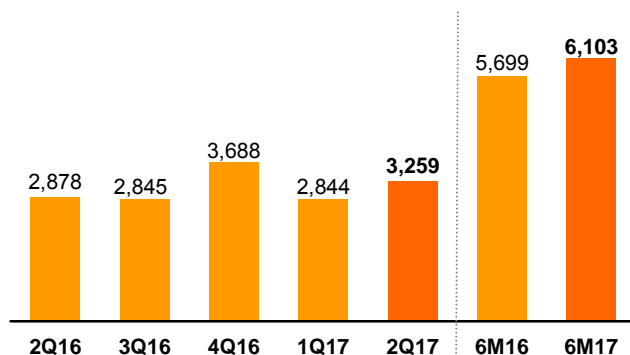
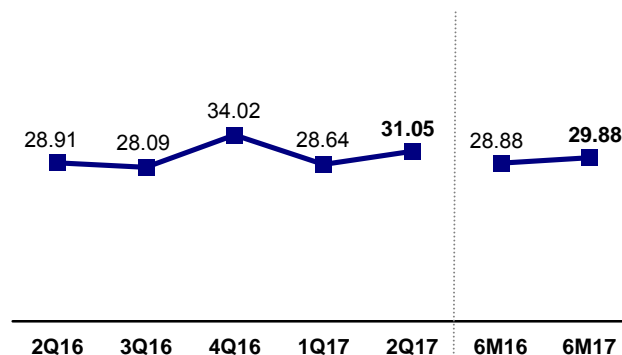
- Net fees and service income amounted to 1,334 million baht, a decrease of 106 million baht or 7.36 percent. This was mainly due to a reduction in fees income from securities business.
- Operating income amounted to 1,925 million baht, an increase of 521 million baht or 37.11 percent. This was mainly due to an increase in dividend income of 222 million baht, an increase in gains on investments of 159 million baht, and an increase in gains on properties foreclose and other assets of 125 million baht.

As a result, non-interest income ratio in the second quarter of 2017 was at 31.05 percent, an increase from 28.64 percent of the previous quarter.

Non-interest income of the Company and its subsidiaries in the first six-month period of 2017 was 6,103 million baht, an increase of 404 million baht or 7.09 percent from the same period last year. This was mainly due to the following.

- Net fees and service income amounted to 2,774 million baht, an increase of 202 million baht or 7.85 percent. This was due mainly to an increase in commission received from selling insurance / life insurance and an increase in fund management fees.
- Operating income amounted to 3,329 million baht, an increase of 202 million baht or 6.46 percent. The key changes mainly included an increase of 208 million baht in net insurance / life insurance income; an increase of 76 million baht in gains on properties foreclose and other assets; and an increase of 53 million baht in dividend income. However, gains on investments declined by 106 million baht in line with the market situation.

As a result, non-interest income ratio in the first six-month period of 2017 was at 29.88 percent, an increase from 28.88 percent of the same period last year.

Non-interest Income (Million Baht)**Non-interest Income Ratio (Percent)****Other Operating Expenses****Other Operating Expenses (Million Baht)**

| | 2Q17 | 1Q17 | Change | | 6M17 | 6M16 | Change | |
|---------------------------------------|--------------|--------------|-----------|-------------|---------------|---------------|------------|-------------|
| | | | + / (-) | % | | | + / (-) | % |
| Employee's Expenses | 3,232 | 3,074 | 158 | 5.14 | 6,306 | 5,754 | 552 | 9.59 |
| Premises and Equipment Expenses | 704 | 711 | (7) | (0.98) | 1,415 | 1,520 | (105) | (6.91) |
| Taxes and Duties | 182 | 187 | (5) | (2.67) | 369 | 392 | (23) | (5.87) |
| Directors' Remuneration | 58 | 10 | 48 | 480.00 | 68 | 62 | 6 | 9.68 |
| Other Expenses | 1,338 | 1,463 | (125) | (8.54) | 2,801 | 2,545 | 256 | 10.06 |
| Total Other Operating Expenses | 5,514 | 5,445 | 69 | 1.27 | 10,959 | 10,273 | 686 | 6.68 |

In the second quarter of 2017, other operating expenses of the Company and its subsidiaries amounted to 5,514 million baht, an increase of 69 million baht or 1.27 percent from the previous quarter. This was a result of the Group's reorganization strategy which helped operating expenses increase slightly.

Cost to income ratio in the second quarter of 2017 was 52.56 percent, a decrease from 54.82 percent of the previous quarter. This was due to the fact that income base increased.

For the first six-month period of 2017, other operating expenses of the Company and its subsidiaries amounted to 10,959 million baht, an increase of 686 million baht or 6.68 percent from the same period last year. This was due to expenses on reorganization for improving the Group's competitive advantages in the future.

As a result, cost to income ratio in the first six-month period of 2017 was 53.66 percent, an increase from the same period last year of 52.06 percent.

Impairment Loss of Loans and Debt Securities

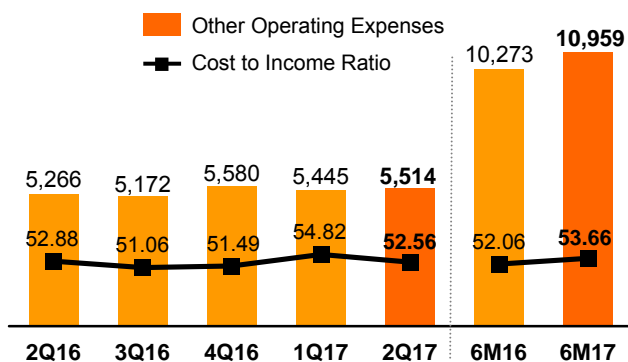
Impairment Loss of Loans and Debt Securities (Million Baht)

| | 2Q17 | 1Q17 | Change | | 6M17 | 6M16 | Change | |
|--|-------|------|---------|-------|-------|-------|---------|---------|
| | | | + / (-) | % | | | + / (-) | % |
| Impairment Loss of Loans and Debt Securities | 1,369 | 852 | 517 | 60.68 | 2,221 | 3,175 | (954) | (30.05) |
| Credit Cost (%) | 0.75 | 0.48 | 0.27 | 56.25 | 0.61 | 0.88 | (0.27) | (30.68) |

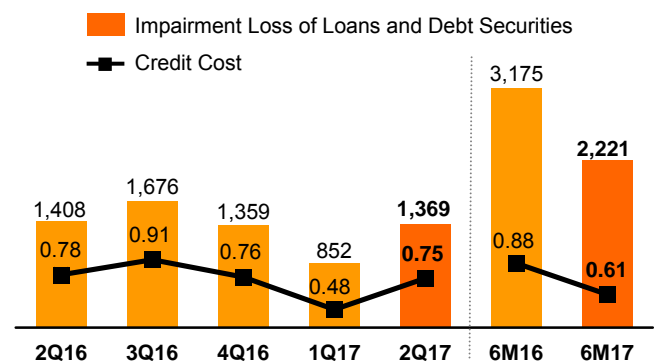
In the second quarter of 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 1,369 million baht, an increase of 517 million baht or 60.68 percent from the previous quarter last year. The increase was due to the fact that credit cost in the first quarter of 2017 was quite low and also loans were able to grow in this quarter. As a result, credit cost was at 0.75 percent, an increase from 0.48 percent.

For the first six-month period of 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 2,221 million baht, a decrease of 954 million baht or 30.05 percent from the same period last year. Credit cost was at 0.61 percent, a decrease from 0.88 percent.

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



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



Financial Position

Consolidated Statements of Financial Position (Million Baht)

| | 30 June 2017 | | 31 December 2016 | | Change | |
|---|----------------|---------------|------------------|---------------|---------------|-------------|
| | Amount | % | Amount | % | +/(−) | % |
| Interbank and Money Market Items-net | 53,114 | 5.42 | 48,734 | 5.04 | 4,380 | 8.99 |
| Investment-net | 193,086 | 19.69 | 186,928 | 19.33 | 6,158 | 3.29 |
| Investment in Associated Company-net | 2,965 | 0.30 | 2,890 | 0.30 | 75 | 2.60 |
| Loans | 696,333 | 71.02 | 692,046 | 71.58 | 4,287 | 0.62 |
| Accrued Interest Receivables | 599 | 0.06 | 631 | 0.06 | (32) | (5.07) |
| Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring | (23,275) | (2.37) | (25,155) | (2.60) | 1,880 | (7.47) |
| Property foreclosed-net | 5,014 | 0.51 | 4,992 | 0.52 | 22 | 0.44 |
| Intangible Assets Acquired in a Business Combination-net | 869 | 0.09 | 1,060 | 0.11 | (191) | (18.02) |
| Goodwill | 17,538 | 1.79 | 17,439 | 1.80 | 99 | 0.57 |
| Other Assets | 34,183 | 3.49 | 37,302 | 3.86 | (3,119) | (8.36) |
| Total Assets | 980,426 | 100.00 | 966,867 | 100.00 | 13,559 | 1.40 |
| Deposits | 665,968 | 67.93 | 676,456 | 69.96 | (10,488) | (1.55) |
| Interbank and Money Market Items | 78,773 | 8.03 | 65,701 | 6.80 | 13,072 | 19.90 |
| Debt Issued and Borrowings | 65,701 | 6.70 | 61,704 | 6.38 | 3,997 | 6.48 |
| Other Liabilities | 45,460 | 4.64 | 43,155 | 4.46 | 2,305 | 5.34 |
| Total Liabilities | 855,902 | 87.30 | 847,016 | 87.60 | 8,886 | 1.05 |
| Company's Shareholders' Equity | 59,155 | 6.03 | 56,891 | 5.89 | 2,264 | 3.98 |
| Non-controlling Interests | 65,369 | 6.67 | 62,960 | 6.51 | 2,409 | 3.83 |
| Total Shareholders' Equity | 124,524 | 12.70 | 119,851 | 12.40 | 4,673 | 3.90 |
| Total Liabilities and Shareholders' Equity | 980,426 | 100.00 | 966,867 | 100.00 | 13,559 | 1.40 |
| Book Value per Share (Baht) | 50.77 | | 48.83 | | | |

Assets

As of 30 June 2017, Thanachart Group's total assets amounted to 980,426 million baht, an increase of 13,559 million baht or 1.40 percent from the end of 2016. Key factors are as follows:

- Net interbank and money market amounted to 53,114 million baht, an increase of 4,380 million baht or 8.99 percent from the end of last year due to liquidity management.
- Net investment amounted to 193,086 million baht, an increase of 6,158 million baht or 3.29 percent from the end of last year. This was mainly due to an appropriate management of investment yield.
- Loans amounted to 696,333 million baht, an increase of 4,287 million baht or 0.62 percent from the end of last year. The growth was from retail loans especially hire purchase loans which continued increasing from recovered automotive market. Total loans also grew from all types of loans by 13,123 million baht or 1.92 percent from the end of last year.

percent when comparing with the previous quarter. Portion of retail loans to corporate and SME loans was 70 percent to 30 percent.

Liabilities

Total liabilities of Thanachart Group as of 30 June 2017 **were 855,902 million baht, an increase of 8,886 million baht or 1.05 percent** from the end of 2016. The key items were as follows:

| Deposits (Million Baht) | | | | | | |
|--------------------------------|---------------------|---------------|-------------------------|---------------|-----------------|---------------|
| | 30 June 2017 | | 31 December 2016 | | Change | |
| | Amount | % | Amount | % | +/(-) % | |
| Current | 10,645 | 1.60 | 11,421 | 1.69 | (776) | (6.79) |
| Savings | 279,335 | 41.94 | 296,885 | 43.89 | (17,550) | (5.91) |
| Fixed Deposits | | | | | | |
| Less than 6 Months | 42,519 | 6.39 | 39,442 | 5.83 | 3,077 | 7.80 |
| 6 Months and up to 1 Year | 52,705 | 7.91 | 93,129 | 13.77 | (40,424) | (43.41) |
| Over 1 Year | 152,366 | 22.88 | 110,086 | 16.27 | 42,280 | 38.41 |
| Certificate of Deposits | 128,398 | 19.28 | 125,493 | 18.55 | 2,905 | 2.31 |
| Total Deposits | 665,968 | 100.00 | 676,456 | 100.00 | (10,488) | (1.55) |

- Deposits were 665,968 million baht, a decrease of 10,488 million baht or 1.55 percent from the end of the previous year. This was mainly from a decrease in savings deposits while fixed deposits increase in line with the Bank's deposit restructuring plan. As a result, the ratio of current and savings accounts to total deposits (CASA) was 43.54 percent, a decrease from 45.58 percent at the end of the previous year.
- Debt issued and borrowings amounted to 65,701 million baht, an increase of 3,997 million baht or 6.48 percent from the end of last year. This was mainly due to an increase in unsubordinated debentures.
- Interbank and money market items were 78,773 million baht, an increase of 13,072 million baht or 19.90 percent from the end of last year. This was due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 30 June 2017 **was 124,524 million baht, an increase of 4,673 million baht or 3.90 percent** from the end of 2016. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 59,155 million baht, an increase of 2,264 million baht or 3.98 percent. This was mainly from an increase in operating profit attributable to the Company in the first six-month period of 2017 amounting to 3,277 million baht. At the same time, there were dividend payments paid for the performance in the second half of 2016 in the amount of 1,398 million baht
- Equity attributable to non-controlling interest amounted to 65,369 million baht, an increase of 2,409 million baht or 3.83 percent, mainly from the operating results of subsidiary companies.

Non-performing Loans: NPLs**NPLs**

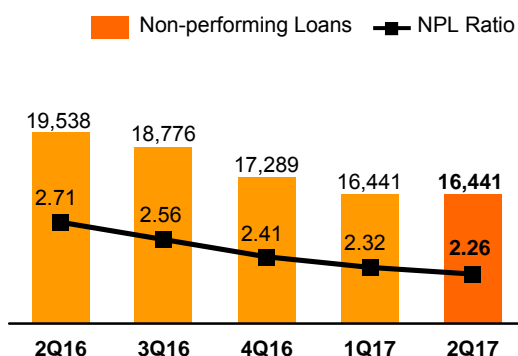
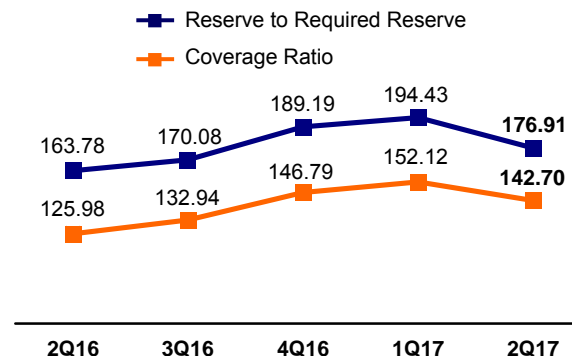
| | TCAP (Consol.) | | | | |
|---------------------------------|----------------|-----------|-----------|-----------|-----------|
| | 30-Jun-16 | 30-Sep-16 | 31-Dec-16 | 31-Mar-17 | 30-Jun-17 |
| NPL-gross (Million Baht) | 19,538 | 18,776 | 17,289 | 16,441 | 16,441 |
| Total Allowance* (Million Baht) | 24,615 | 24,961 | 25,378 | 25,011 | 23,461 |
| NPL-gross to Total Loans (%) | 2.71 | 2.56 | 2.41 | 2.32 | 2.26 |
| NPL-net to Total Loans (%) | 1.18 | 1.06 | 1.12 | 1.12 | 1.07 |
| Reserve to Required Reserve (%) | 163.78 | 170.08 | 189.19 | 194.43 | 176.91 |
| Coverage Ratio (%) | 125.98 | 132.94 | 146.79 | 152.12 | 142.70 |

* 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 still placed strong emphasis on managing NPLs through systematic and effective control. As a result, NPLs have been at a low level. NPLs as of 30 June 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 2.26 percent, a decrease from 2.41 percent at the end of the previous year. This was due to the Group's effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 7,687 million baht while the ratio of NPL-net to total loans was at 1.07 percent.

Coverage ratio at the end of June 2017 was at 142.70 percent, a slight decrease from 146.79 percent at the end of December 2016. The ratio of reserve to required reserve under the BOT's regulation was at 176.91 percent at the end of the second quarter of 2017, a decrease from 189.19 percent from the end of 2016. Excess reserve was 10,199 million baht.

Non-performing Loans (Million Baht) and**NPL Ratio (Percent)****Coverage Ratio (Percent) and****Reserve to Required Reserve (Percent)**

Operating Results of Subsidiaries

Operating Results of Subsidiaries (Million Baht)

| Subsidiaries | % holding Direct/Indirect | Net Profit (Loss) | | | | |
|--|------------------------------|-------------------|-------|-------|-------|-------|
| | | 2Q17 | 1Q17 | 2Q16 | 6M17 | 6M16 |
| Thanachart Bank Public Company Limited Consolidated Financial Statements* | | 3,331 | 3,272 | 3,158 | 6,603 | 6,002 |
| Thanachart Securities Public Company Limited | 50.96% | 92 | 168 | 92 | 260 | 231 |
| Thanachart Fund Management Company Limited | 38.22% | 107 | 100 | 92 | 207 | 178 |
| Thanachart Insurance Public Company Limited | 50.96% | 239 | 216 | 267 | 455 | 518 |
| TS AMC Company Limited | 50.96% | 76 | 51 | 116 | 127 | 45 |
| Ratchthani Leasing Public Company Limited | 33.22% | 258 | 246 | 216 | 504 | 426 |
| NFS AMC Company Limited | 100.00% | 14 | 29 | (15) | 43 | (25) |
| MAX AMC Company Limited | 83.44% | 49 | 1 | 50 | 50 | 43 |
| MBK Life Assurance Public Company Limited | 51.00% | (41) | (9) | (19) | (50) | (142) |

* 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 man

Disclaimer

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