

# MANAGEMENT DISCUSSION AND ANALYSIS

For the third quarter and the nine-month period ended 30 September 2017  
(Reviewed Financial Statements)

**Thanachart Capital Public Company Limited**

Tel: 0 2217 8000, 0 2 217 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

In the third quarter of 2017, the Thai economy is expected to grow from the previous quarter with 3.70 percent growth. The key drivers would be export sector which has recovered with foreign demand, as well as, tourism sector following the increase in number of tourists especially from the ASEAN countries. Government spending and investment have shown sign of slowdown from accelerated budget disbursement in the previous period while private consumption is expected to have a gradual growth following the slow recovery of domestic purchasing power. At the same time, private investment has continued to experience sluggish improvement. Although the Thai economy has shown trend of the consistent growth in the third quarter, the domestic demand hasn't been fully recovered and growth has continued to cluster from a few sectors. Furthermore, inflation rate remained low. With the aforementioned, the Monetary Committee Policy of the Bank of Thailand issued a resolution to maintain the policy rate at 1.50 percent per annum to support future economic growth.

Loan volume in the third quarter of 2017 has slowed down from the previous quarter. Corporate sectors have turned to raise fund through other channels. Furthermore, financial institutions have continued to be prudent in the credit approval process amidst the concern regarding debt service capability of the household sector and SME business.

#### Key Events in the Third Quarter of 2017

On 25 September 2017, 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 2017 at a rate of 0.90 baht per share to all shareholders of the Company. The determination of the name of shareholders eligible for interim dividend payment was set on 9 October 2017. The payment is scheduled to be made on 20 October 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					
Reviewed Financial Statements	For the 3 months ended			For the 9 months ended	
	30-Sep-17	30-Jun-17	30-Sep-16	30-Sep-17	30-Sep-16
<b>Operating Performance (Million Baht)</b>					
Interest Income	11,485	11,092	11,188	33,426	34,219
Interest Expenses	3,975	3,858	3,904	11,595	12,901
Net Interest Income	7,510	7,234	7,284	21,831	21,318
Non-interest Income	3,403	3,259	2,845	9,506	8,544
Net Operating Income <sup>(1)</sup>	10,913	10,493	10,129	31,337	29,862
Other Operating Expenses	5,239	5,514	5,172	16,198	15,445
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>5,674</b>	<b>4,979</b>	<b>4,957</b>	<b>15,139</b>	<b>14,417</b>
Impairment Loss of Loans and Debt Securities	1,696	1,369	1,676	3,917	4,852
Profit before Tax	3,978	3,610	3,281	11,222	9,565
Income Tax	340	197	189	854	505
<b>Profit for the Period</b>	<b>3,638</b>	<b>3,413</b>	<b>3,092</b>	<b>10,368</b>	<b>9,060</b>
<b>Net Profit Attributable to the Company</b>	<b>1,788</b>	<b>1,675</b>	<b>1,502</b>	<b>5,065</b>	<b>4,319</b>
<b>Operating Performance Ratios (Percent)</b>					
ROAA	1.45	1.40	1.27	1.41	1.23
ROAE <sup>(2)</sup>	11.94	11.47	10.78	11.51	10.51
Interest Spread <sup>(3)</sup>	2.96	2.91	2.98	2.92	2.83
Loan Spread <sup>(4)</sup>	3.92	3.81	3.88	3.83	3.70
Credit Cost	0.89	0.75	0.91	0.68	0.88
Non-interest Income Ratio <sup>(5)</sup>	31.19	31.05	28.09	30.34	28.61
Cost to Income Ratio <sup>(6)</sup>	48.00	52.56	51.06	51.69	51.72
	30-Sep-17	30-Jun-17	31-Dec-16		
<b>Financial Position (Million Baht)</b>					
Loans	699,751	696,333	692,046		
Total Assets	996,713	980,426	966,867		
Deposits	703,294	665,968	676,456		
Total Liabilities	870,513	855,902	847,016		
Total Equity	126,200	124,524	119,851		
<b>Financial Position Quality</b>					
Loans to Deposits (%)	99.50	104.56	102.30		
Non-performing Loans (Million Baht)	16,798	16,441	17,289		
NPL Ratio (%)	2.21	2.26	2.41		
Coverage Ratio <sup>(7)</sup> (%)	143.09	142.70	146.79		
Reserve to Required Reserve <sup>(8)</sup> (%)	171.97	176.91	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 Third Quarter and the Nine-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 third quarter of 2017, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 3,638 million baht, an increase of 225 million baht or 6.59 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. Also, operating expenses decreased. This led to an increase in pre-provision operating profit (PPOP). However, impairment loss of loans increased in line with the loan growth and the policy to carefully set aside provision to protect against economic uncertainties in the future.

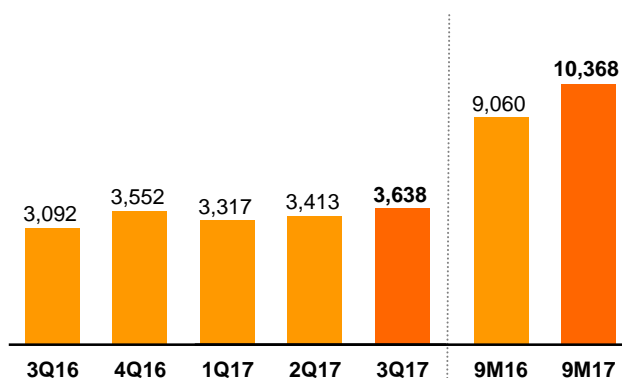
For the nine-month period of 2017, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 10,368 million baht, an increase of 1,308 million baht or 14.44 percent from the same period last year. This was a result of an increase in total income base as well as an effective management of impairment loss of loans.

Total assets of Thanachart Group increased by 3.09 percent from the end of the previous year in line with the 1.11 percent growth of total loans which contributed by retail and SME loans.

**NPLs of Thanachart Group declined by 491 million baht from the end of 2016. As a result, NPL ratio**

**decreased to 2.21 percent while coverage ratio stayed at 143.09 percent.** These were reflected from the Bank’s strong position in asset quality. 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 20.01 percent, an increase from 19.15 percent at the end of 2016.**

Net Profit of Thanachart Group (Million Baht)



In the third quarter of 2017, net profit attributable to the Company was 1,788 million baht, an increase of 113 million baht or 6.75 percent from the previous quarter. Earning per share (EPS) was 1.53 baht, an increase from 1.44 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company’s shareholders were at 1.45 percent and 11.94 percent respectively.

For the nine-month period of 2017, **net profit attributable to the Company was 5,065 million baht, an increase of 746 million baht or 17.27 percent** from the same period last year. EPS was 4.35 baht, an increase from 3.71 baht. ROAA and ROAE of the Company's shareholders were at 1.41 percent and 11.51 percent respectively.

### Summary of Key Operating Results

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

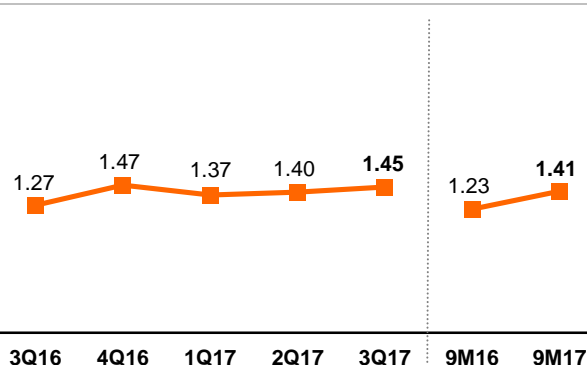
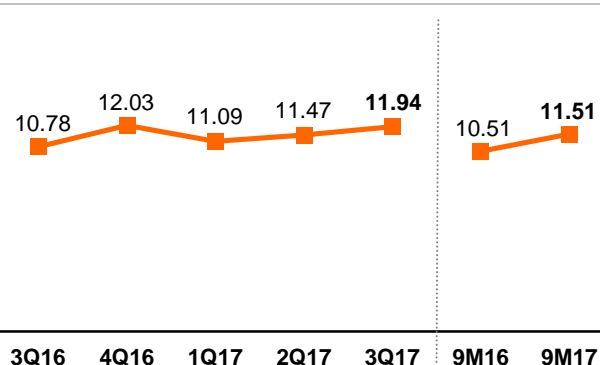
- Net profit of Thanachart Group increased by 6.59 percent.
- Net profit of the Company increased by 6.75 percent.
- Net interest income increased by 3.82 percent as a result of the increase in total loans and a widened interest spread from 2.91 percent to 2.96 percent.
- Non-interest income increased by 4.42 percent, mainly from net fees and service income, gains on investments and net insurance / life insurance income.
- Operating expenses decreased by 4.99 percent from an effective cost control.
- Pre-provision operating profit (PPOP) increased by 13.96 percent from the increase in income base as well as the effective management of operating expenses.
- Impairment loss of loans and debt securities increased by 23.89 percent from loan growth and prudent provisioning for future economic uncertainties.

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

- Net profit of Thanachart Group increased by 14.44 percent, due to an increase in income base as well as a decrease in impairment loss of loans expenses.
- Net profit of the Company increased by 17.27 percent.
- Net interest income increased by 2.41 percent from a growth of loans and an appropriate management of deposit costs which resulted in an increase in interest spread from 2.83 percent to 2.92 percent.
- Non-interest income increased by 11.26 percent, mainly from increases in net fees and service income, gains on investments, and net insurance / life insurance income.
- Operating expenses increased by 4.88 percent from expenses on reorganization.
- Pre-provision operating profit (PPOP) increased by 5.01 percent from the increase in income base.
- Impairment loss of loans expenses decreased by 19.27 percent from an effective management of asset quality.
- NPL Ratio decreased to 2.21 percent while coverage ratio was at 143.09 percent.

**Net Profit (Million Baht)**

Reviewed Financial Statements	For the 3 months ended			For the 9 months ended	
	30-Sep-17	30-Jun-17	30-Sep-16	30-Sep-17	30-Sep-16
<b>Net Profit (Million Baht)</b>					
Profit for the Period	3,638	3,413	3,092	10,368	9,060
Net Profit Attributable to the Company	1,788	1,675	1,502	5,065	4,319
Net Profit Attributable to Non-controlling Interest	1,850	1,738	1,590	5,303	4,741
Basic Earning per Share (Baht)	1.53	1.44	1.29	4.35	3.71

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

\*Equity attributable to the Company's shareholders

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

	3Q17	2Q17	Change		9M17	9M16	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,485</b>	<b>11,092</b>	<b>393</b>	<b>3.54</b>	<b>33,426</b>	<b>34,219</b>	<b>(793)</b>	<b>(2.32)</b>
Interbank and Money Market Items	432	255	177	69.41	957	1,034	(77)	(7.45)
Investments for Tradings	62	63	(1)	(1.59)	183	168	15	8.93
Investments for Debts Securities	777	889	(112)	(12.60)	2,496	2,725	(229)	(8.40)
Loans	4,626	4,428	198	4.47	13,416	13,915	(499)	(3.59)
Hire Purchase and Financial Leases	5,588	5,457	131	2.40	16,374	16,377	(3)	(0.02)
<b>Interest Expenses</b>	<b>3,975</b>	<b>3,858</b>	<b>117</b>	<b>3.03</b>	<b>11,595</b>	<b>12,901</b>	<b>(1,306)</b>	<b>(10.12)</b>
Deposits	2,251	2,114	137	6.48	6,419	7,408	(989)	(13.35)
Interbank and Money Market Items	221	186	35	18.82	592	568	24	4.23
Fund Contributed to FIDF and DPA	851	827	24	2.90	2,485	2,511	(26)	(1.04)
Debts Issued	650	729	(79)	(10.84)	2,093	2,409	(316)	(13.12)
Borrowing Fee	2	2	-	-	6	5	1	20.00
<b>Net Interest Income</b>	<b>7,510</b>	<b>7,234</b>	<b>276</b>	<b>3.82</b>	<b>21,831</b>	<b>21,318</b>	<b>513</b>	<b>2.41</b>

In the third quarter of 2017, the Company and its subsidiaries had 7,510 million baht in net interest income, an increase of 276 million baht or 3.82 percent from the previous quarter. Interest Spread was at 2.96 percent, an increase from 2.91 percent.

- Interest income was 11,485 million baht, an increase of 393 million baht or 3.54 percent. This was due to higher loan volume and higher yield on earning assets.
- Interest expenses were 3,975 million baht, an increase of 117 million baht or 3.03 percent. This was from higher deposit base and higher cost of fund which was in line with deposit composition restructuring.

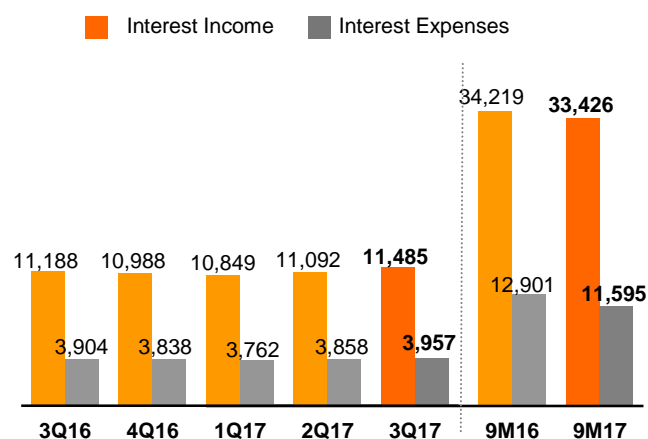
For the nine-month period of 2017, the Company and its subsidiaries had 21,831 million baht in net interest income, an increase of 513 million baht or 2.41 percent from the same period last year. Interest Spread was at 2.92 percent, an increase from 2.83 percent.

- Interest income was 33,426 million baht, a decrease of 793 million baht or 2.32 percent. This was mainly from lower yield on earning assets, following the market interest rate decline.
- Interest expenses were 11,595 million baht, a decrease of 1,306 million baht or 10.12 percent. This was due mainly to the effective cost of fund management under the Bank's strategy to manage liquidity.

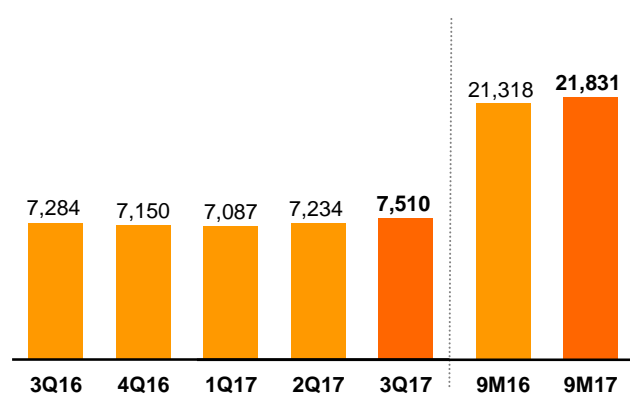
#### Yield, Cost of Fund, and Interest Spread (Percent)

	3Q17	2Q17	1Q17	4Q16	3Q16	9M17	9M16
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Yield	4.89	4.83	4.77	4.83	4.91	4.83	4.93
Cost of Fund	1.93	1.92	1.88	1.91	1.93	1.91	2.10
Interest Spread	2.96	2.91	2.89	2.92	2.98	2.92	2.83

#### Interest Income and Interest Expenses (Million Baht)



#### Net Interest Income (Million Baht)



## Non-interest Income

Non-interest Income (Million Baht)								
	3Q17	2Q17	Change		9M17	9M16	Change	
			+/(−)	%			+/(−)	%
<b>Net Fees and Service Income</b>	<b>1,449</b>	<b>1,334</b>	<b>115</b>	<b>8.62</b>	<b>4,223</b>	<b>4,106</b>	<b>117</b>	<b>2.85</b>
Gains on Trading and F/X Transactions	162	144	18	12.50	491	426	65	15.26
Gains on Investments	586	350	236	67.43	1,127	850	277	32.59
Share of Profit from Investments Accounted for under Equity Method	89	105	(16)	(15.24)	269	310	(41)	(13.23)
Gains (Losses) on Property Foreclosed and Other Assets	(19)	104	(123)	(118.27)	64	(128)	192	(150.00)
Net Insurance / Life Insurance Income	694	580	114	19.66	1,841	1,547	294	19.00
Dividend Income	90	311	(221)	(71.06)	490	440	50	11.36
Other Income	352	331	21	6.34	1,001	993	8	0.81
<b>Total Operating Income</b>	<b>1,954</b>	<b>1,925</b>	<b>29</b>	<b>1.51</b>	<b>5,283</b>	<b>4,438</b>	<b>845</b>	<b>19.04</b>
<b>Total Non-interest Income</b>	<b>3,403</b>	<b>3,259</b>	<b>144</b>	<b>4.42</b>	<b>9,506</b>	<b>8,544</b>	<b>962</b>	<b>11.26</b>

**Non-interest income of the Company and its subsidiaries in the third quarter of 2017 was 3,403 million baht, an increase of 144 million baht or 4.42 percent** from the previous quarter. This was mainly due to the following.

- Net fees and service income amounted to 1,449 million baht, an increase of 115 million baht or 8.62 percent. This was mainly due to higher commission received from selling insurance / life insurance and fund management fees.
- Operating income amounted to 1,954 million baht, an increase of 29 million baht or 1.51 percent. This was mainly due to an increase in gains on investments of 236 million baht and an increase in net insurance / life insurance income of 114 million baht. However, dividend income declined by 221 million baht which decreased after a dividend season in the second quarter.

As a result, non-interest income ratio in the third quarter of 2017 was at 31.19 percent, an increase from 31.05 percent of the previous quarter.

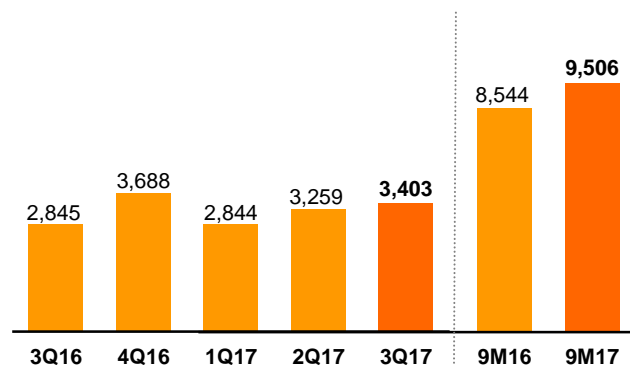
**Non-interest income of the Company and its subsidiaries in the nine-month period of 2017 was 9,506 million baht, an increase of 962 million baht or 11.26 percent** from the same period last year. This was mainly due to the following.

- Net fees and service income amounted to 4,223 million baht, an increase of 117 million baht or 2.85 percent. This was due mainly to an increase in commission received from selling insurance / life insurance and an increase in fund management fees while income from securities business decreased in line with the market situation.
- Operating income amounted to 5,283 million baht, an increase of 845 million baht or 19.04 percent. The key changes mainly included an increase of 294 million baht in net insurance / life insurance income and an increase of 277 million baht in gains on investments.

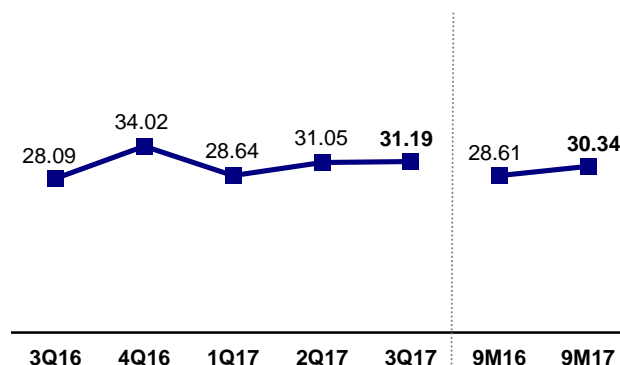


As a result, non-interest income ratio in the nine-month period of 2017 was at 30.34 percent, an increase from 28.61 percent of the same period last year.

#### Non-interest Income (Million Baht)



#### Non-interest Income Ratio (Percent)



#### Other Operating Expenses

##### Other Operating Expenses (Million Baht)

	3Q17	2Q17	Change		9M17	9M16	Change	
			+/(−)	%			+/(−)	%
Employee's Expenses	3,024	3,232	(208)	(6.44)	9,330	8,740	590	6.75
Premises and Equipment Expenses	716	704	12	1.70	2,131	2,292	(161)	(7.02)
Taxes and Duties	195	182	13	7.14	564	589	(25)	(4.24)
Directors' Remuneration	12	58	(46)	(79.31)	80	72	8	11.11
Other Expenses	1,292	1,338	(46)	(3.44)	4,093	3,752	341	9.09
<b>Total Other Operating Expenses</b>	<b>5,239</b>	<b>5,514</b>	<b>(275)</b>	<b>(4.99)</b>	<b>16,198</b>	<b>15,445</b>	<b>753</b>	<b>4.88</b>

In the third quarter of 2017, other operating expenses of the Company and its subsidiaries amounted to 5,239 million baht, a decrease of 275 million baht or 4.99 percent from the previous quarter.

Cost to income ratio in the third quarter of 2017 was 48.00 percent, a decrease from 52.56 percent of the previous quarter. This was due to the fact that income base increased and the effective cost management.

For the nine-month period of 2017, other operating expenses of the Company and its subsidiaries amounted to 16,198 million baht, an increase of 753 million baht or 4.88 percent from the same period last year. This was due to expenses on reorganization for improving the Group's competitive advantages in the future.

Although operating expenses in the nine-month period of 2017 increased, cost to income ratio in this period was 51.69 percent, close to 51.72 percent of the same period last year from the Group's ability to increase income base.

## Impairment Loss of Loans and Debt Securities

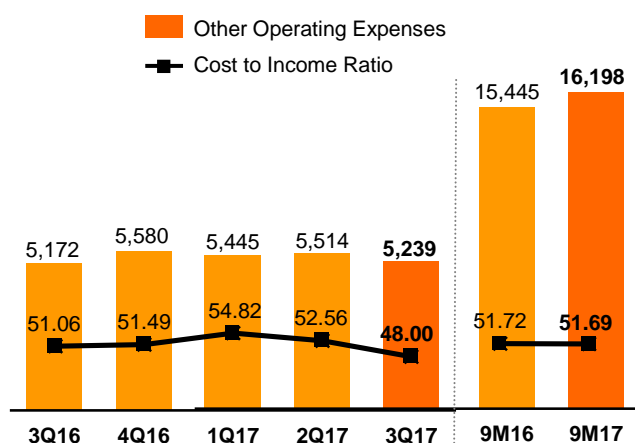
### Impairment Loss of Loans and Debt Securities (Million Baht)

	3Q17	2Q17	Change		9M17	9M16	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debt Securities	1,696	1,369	327	23.89	3,917	4,852	(935)	(19.27)
Credit Cost (%)	0.89	0.75	0.14	18.67	0.68	0.88	(0.20)	(22.73)

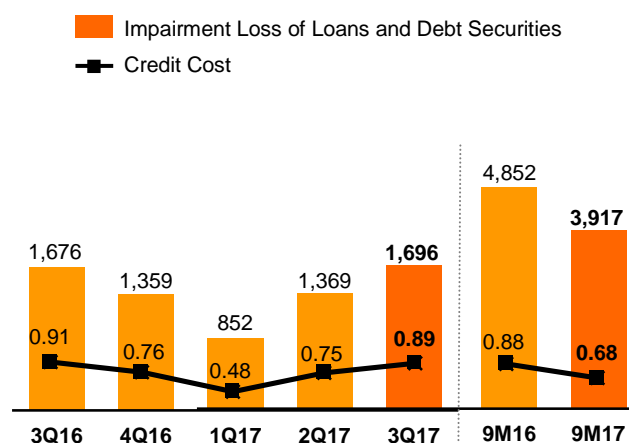
In the third quarter of 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 1,696 million baht, an increase of 327 million baht or 23.89 percent from the previous quarter. The increase was from growing loan volume and prudent provisioning for future economic uncertainties. As a result, credit cost increased from 0.75 percent to stay at 0.89 percent.

For the nine-month period of 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 3,917 million baht, a decrease of 935 million baht or 19.27 percent from the same period last year. Credit cost was at 0.68 percent, a decrease from 0.88 percent. This was from the effective risk management and stronger asset quality.

### 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 September 2017		31 December 2016		Change	
	Amount	%	Amount	%	+/(−)	%
Cash	9,309	0.93	12,077	1.25	(2,768)	(22.92)
Interbank and Money Market Items-net	84,454	8.47	48,734	5.04	35,720	73.30
Investment-net	170,760	17.13	186,928	19.33	(16,168)	(8.65)
Investment in Associated Company-net	2,913	0.29	2,890	0.30	23	0.80
Loans	699,751	70.21	692,046	71.58	7,705	1.11
Accrued Interest Receivables	604	0.06	631	0.06	(27)	(4.28)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(23,851)	(2.39)	(25,155)	(2.60)	1,304	(5.18)
Property foreclosed-net	5,149	0.52	4,992	0.52	157	3.15
Intangible Assets Acquired in a Business Combination-net	773	0.08	1,060	0.11	(287)	(27.08)
Goodwill	17,587	1.76	17,439	1.80	148	0.85
Other Assets	29,264	2.94	25,225	2.61	4,039	16.01
<b>Total Assets</b>	<b>996,713</b>	<b>100.00</b>	<b>966,867</b>	<b>100.00</b>	<b>29,846</b>	<b>3.09</b>
Deposits	703,294	70.56	676,456	69.96	26,838	3.97
Interbank and Money Market Items	62,963	6.32	65,701	6.80	(2,738)	(4.17)
Debt Issued and Borrowings	56,236	5.64	61,704	6.38	(5,468)	(8.86)
Other Liabilities	48,020	4.82	43,155	4.46	4,865	11.27
<b>Total Liabilities</b>	<b>870,513</b>	<b>87.34</b>	<b>847,016</b>	<b>87.60</b>	<b>23,497</b>	<b>2.77</b>
Company's Shareholders' Equity	60,071	6.03	56,891	5.89	3,180	5.59
Non-controlling Interests	66,129	6.63	62,960	6.51	3,169	5.03
<b>Total Shareholders' Equity</b>	<b>126,200</b>	<b>12.66</b>	<b>119,851</b>	<b>12.40</b>	<b>6,349</b>	<b>5.30</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>996,713</b>	<b>100.00</b>	<b>966,867</b>	<b>100.00</b>	<b>29,846</b>	<b>3.09</b>
Book Value per Share (Baht)	51.56		48.83			

## Assets

As of 30 September 2017, Thanachart Group's total assets amounted to 996,713 million baht, an increase of 29,846 million baht or 3.09 percent from the end of 2016. Key factors are as follows:

- Net interbank and money market amounted to 84,454 million baht, an increase of 35,720 million baht or 73.30 percent from the end of last year due to liquidity management.
- Net investment amounted to 170,760 million baht, a decrease of 16,168 million baht or 8.65 percent from the end of last year. This was mainly due to an appropriate management of investment yield.
- Loans amounted to 699,751 million baht, an increase of 7,705 million baht or 1.11 percent from the end of last year. The growth was from retail loans and SME Loans especially hire purchase loans which continued

increasing from recovered automotive market. Thanachart Bank still maintained its leading position in new car hire purchase business. Portion of retail loans to corporate and SME loans was 70 percent to 30 percent.

## Liabilities

**Total liabilities of Thanachart Group** as of 30 September 2017 **were 870,513 million baht, an increase of 23,497 million baht or 2.77 percent** from the end of 2016. The key items were as follows:

<b>Deposits (Million Baht)</b>						
	<b>30 September 2017</b>		<b>31 December 2016</b>		<b>Change</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>+/(-) %</b>	<b>%</b>
Current	10,765	1.53	11,421	1.69	(656)	(5.74)
Savings	279,667	39.77	296,885	43.89	(17,218)	(5.80)
Fixed Deposits						
Less than 6 Months	38,214	5.43	39,442	5.83	(1,228)	(3.11)
6 Months and up to 1 Year	62,682	8.91	93,129	13.77	(30,447)	(32.69)
Over 1 Year	157,546	22.40	110,086	16.27	47,460	43.11
Certificate of Deposits	154,420	21.96	125,493	18.55	28,927	23.05
<b>Total Deposits</b>	<b>703,294</b>	<b>100.00</b>	<b>676,456</b>	<b>100.00</b>	<b>26,838</b>	<b>3.97</b>

- Deposits were 703,294 million baht, an increase of 26,838 million baht or 3.97 percent from the end of last year. This was mainly from an increase in long-term fixed deposits which was a result of the Bank's deposit restructuring plan to be in line with the growth of hire purchase loans. As a result, the ratio of current and savings accounts to total deposits (CASA) was 41.30 percent, a decrease from 45.58 percent at the end of the previous year.
- Interbank and money market items were 62,963 million baht, a decrease of 2,738 million baht or 4.17 percent from the end of last year. This was due to liquidity management.
- Debt issued and borrowings amounted to 56,236 million baht, a decrease of 5,468 million baht or 8.86 percent from the end of last year. This was mainly due to a decrease in the Bank's Tier II subordinated debentures which were early redeemed.

## Shareholders' Equity

**Total shareholders' equity** as of 30 September 2017 **was 126,200 million baht, an increase of 6,349 million baht or 5.30 percent** from the end of 2016. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 60,071 million baht, an increase of 3,180 million baht or 5.59 percent. This was mainly from an increase in operating profit attributable to the Company in the nine-month period of 2017 amounting to 5,065 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 and interim dividend payments paid for the performance in the first six-month period of 2017 in the amount of 1,049 million baht.

- Equity attributable to non-controlling interest amounted to 66,129 million baht, an increase of 3,169 million baht or 5.03 percent, mainly from the operating results of subsidiary companies.

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

#### **NPLs**

	TCAP (Consol.)				
	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
NPL-gross (Million Baht)	16,798	16,441	16,441	17,289	18,776
Total Allowance* (Million Baht)	24,037	23,461	25,011	25,378	24,961
NPL-gross to Total Loans (%)	2.21	2.26	2.32	2.41	2.56
NPL-net to Total Loans (%)	1.06	1.07	1.12	1.12	1.06
Reserve to Required Reserve (%)	171.97	176.91	194.43	189.19	170.08
Coverage Ratio (%)	143.09	142.70	152.12	146.79	132.94

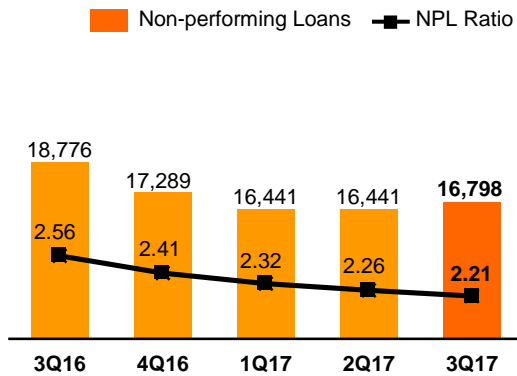
\* Including allowance for interbank and money market items and revaluation allowance for debt restructuring.

Under the market and economic conditions that continued to gradually recover, 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 September 2017 **amounted to 16,798 million baht, a decrease of 491 million baht or 2.84 percent** from the end of the previous year.

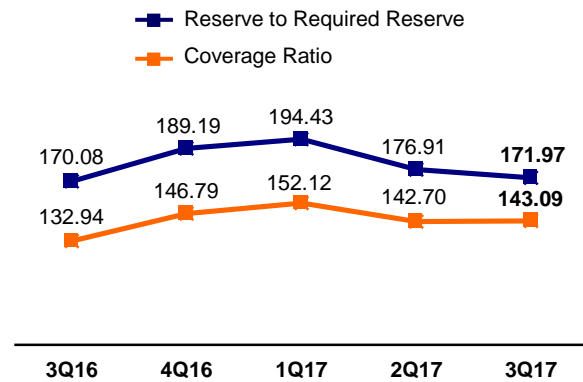
**Non-performing loans to total loans to customers (NPL Ratio) at the end of the third quarter of 2017 was at 2.21 percent**, a decrease from 2.41 percent at the end of the previous year, marking the twelfth consecutive quarter of decreasing NPL ratio. This was due to the Group's effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 7,951 million baht while the ratio of NPL-net to total loans was at 1.06 percent.

**Coverage ratio at the end of September 2017 was at 143.09 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 171.97 percent at the end of the third quarter of 2017, a decrease from 189.19 percent from the end of 2016. Excess reserve was 10,059 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)				
		3Q17	2Q17	3Q16	9M17	9M16
Thanachart Bank Public Company Limited Consolidated Financial Statements*		3,533	3,331	3,202	10,136	9,204
Thanachart Securities Public Company Limited	50.96%	134	92	216	394	447
Thanachart Fund Management Company Limited	38.22%	107	107	93	314	271
Thanachart Insurance Public Company Limited	50.96%	333	239	256	788	774
TS AMC Company Limited	50.96%	53	76	163	180	208
Ratchthani Leasing Public Company Limited	33.22%	302	258	218	806	644
NFS AMC Company Limited	100.00%	-	14	(8)	43	(33)
MAX AMC Company Limited	83.44%	5	49	15	55	59
MBK Life Assurance Public Company Limited	51.00%	(24)	(41)	(27)	(74)	(169)

\* 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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