

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2017  
(Audited Financial Statements)

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## THANACHART CAPITAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### Management's Discussion and Analysis (Audited Financial Statements)

#### Economics Outlook and Competition in Banking Industry

In 2017, the Thai economy showed a 3.9 growth, an increase from 3.3 percent in the previous year, following the Report of the Office of the National Economic and Social Development Board (NESDB). This was mainly due to export and tourism sectors which have been thriving consistently throughout the year following a recovering global economics. Private consumption showed promising sign especially in durable goods, which have been growing consistently in line with expanding car sale volume as the automotive market improved. Private investment also experienced growth from the previous year due to the favorable growth in export sector, resulting in a gradual increase in production in some areas of manufacturing sector. However, the driver from government sector was slowdown. Overall, the Thai economy has been showing healthy growth throughout 2017. Inflation rate has been increasing gradually. Consequently, the Monetary Policy Committee of the Bank of Thailand issued a resolution to maintain the policy rate at 1.50 percent per annum in order to further the economic growth in the future.

For 2018, the NESDB has estimated GDP growth of 3.6 – 4.6 percent for the Thai economy. Government sector is the main key driver both in forms of spending and investment. The private sector is predicted to continue the improving trend both in consumption and investment. While Export sector is forecasted to experience growth, following the growth of global economies.

Loan volume of commercial bank industry in 2017 grew when compared to the previous year following the improving economic conditions, especially in the latter half of the year. Deposits also grew in line with increasing loan growth. For 2018, loan volume is forecasted to maintain its healthy trend while deposits are expected to be more competitive and will put upward pressure on the cost of fund for the industry.

#### Key Events in the Year 2017

1. 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 for the year 2016 amounted to 2.00 baht per share or 2,330 million baht.
2. On 25 September 2017, the Board of Directors of 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 dividend payment amounted to 1,049 million baht.
3. During 28 September 2017 to 9 October 2017, the Company and Thanachart Bank Public Company Limited ("TBANK") had been selling shares of MBK Public Company Limited ("MBK") in the total amount of 35,487,290 shares or 2.0778 percent of issued and paid-up shares. This share selling was the process of reducing shareholding in MBK according to the conditions specified by the Bank of Thailand which was due to the fact that MBK had reduced its registered and paid-up shares by writing down shares repurchased but not resold in accordance with its Treasury Stock project. As a result, the Company and its subsidiaries hold 10.00 percent and 9.90 percent of MBK's issued and paid-up shares, respectively.

For clarification of information disclosure, Thanachart Group has submitted Management's 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 year ended	
	31-Dec-17	30-Sep-17	31-Dec-16	31-Dec-17	31-Dec-16
<b>Operating Performance (Million Baht)</b>					
Interest Income	11,255	11,485	10,988	44,681	45,208
Interest Expenses	3,916	3,975	3,838	15,511	16,740
Net Interest Income	7,339	7,510	7,150	29,170	28,468
Non-interest Income	3,896	3,403	3,688	13,402	12,231
Net Operating Income <sup>(1)</sup>	11,235	10,913	10,838	42,572	40,699
Other Operating Expenses	4,638	5,239	5,580	20,836	21,025
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>6,597</b>	<b>5,674</b>	<b>5,258</b>	<b>21,736</b>	<b>19,674</b>
Impairment Loss of Loans and Debt Securities	2,319	1,696	1,359	6,236	6,210
Profit before Tax	4,278	3,978	3,899	15,500	13,464
Income Tax	305	340	347	1,159	853
<b>Profit for the Period</b>	<b>3,973</b>	<b>3,638</b>	<b>3,552</b>	<b>14,341</b>	<b>12,611</b>
<b>Net Profit Attributable to the Company</b>	<b>1,936</b>	<b>1,788</b>	<b>1,695</b>	<b>7,001</b>	<b>6,013</b>
<b>Operating Performance Ratios (Percent)</b>					
ROAA	1.58	1.45	1.47	1.45	1.29
ROAE <sup>(2)</sup>	12.66	11.94	12.03	11.80	10.89
Interest Spread <sup>(3)</sup>	2.87	2.96	2.92	2.90	2.86
Loan Spread <sup>(4)</sup>	3.84	3.92	3.81	3.83	3.72
Credit Cost	1.17	0.89	0.76	0.79	0.86
Non-interest Income Ratio <sup>(5)</sup>	34.67	31.19	34.02	31.48	30.05
Cost to Income Ratio <sup>(6)</sup>	41.28	48.00	51.49	48.94	51.66
	31-Dec-17	30-Sep-17	31-Dec-16		
<b>Financial Position (Million Baht)</b>					
Loans	712,761	699,751	692,046		
Total Assets	1,025,525	996,713	966,867		
Deposits	716,091	703,294	676,456		
Total Liabilities	895,455	870,513	847,016		
Total Equity	130,070	126,200	119,851		
<b>Financial Position Quality</b>					
Loans to Deposits (%)	99.53	99.50	102.30		
Non-performing Loans (Million Baht)	18,894	16,798	17,289		
NPL Ratio (%)	2.40	2.21	2.41		
Coverage Ratio <sup>(7)</sup> (%)	131.06	143.09	146.79		
Reserve to Required Reserve <sup>(8)</sup> (%)	170.48	171.97	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 Year 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.

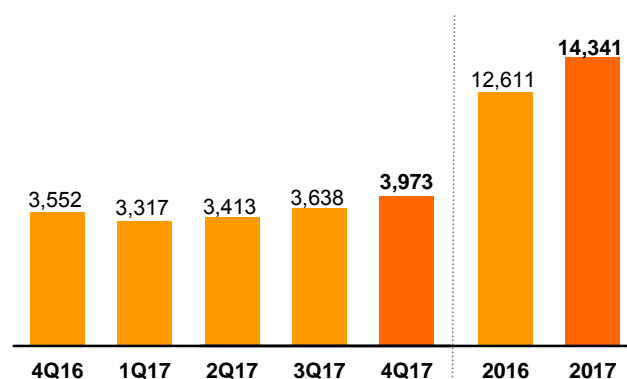
In 2017, the Company and its subsidiaries’ net profit according to the consolidated financial statements amounted to 14,341 million baht, an increase of 1,730 million baht or 13.72 percent from the previous year. This was a result of the success in implementing Customer Centric strategy by focusing on 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, which increased by 2.47 percent and non-interest income, which increased by 9.57 percent. At the same time, operating expenses decreased by 0.90 percent. As a result, pre-provision operating profit (PPOP) increased by 10.48 percent. However, impairment loss of loans increased by 0.42 percent from effective risk management and maintaining asset quality properly amid growing loan volume.

Total assets of Thanachart Group increased by 6.07 percent from the end of the previous year in line with the 2.99 percent growth of total loans which were contributed by retail and SME loans.

Although NPLs of Thanachart Group increased by 1,605 million baht from the end of 2016, the Group was still able to maintain its NPL ratio to decline to 2.40 percent. Coverage ratio stayed at 131.06 percent. The details of which are disclosed in TBANK and its subsidiaries’ MD&A submitted to the SET together with this report. On capital fund, TBANK had capital adequacy ratio of 18.94 percent, a decrease from

19.15 percent at the end of 2016. This was a result of the early redemption of Tier II subordinated debentures of TBANK. However, Tier I ratio of TBANK was at 14.81 percent, and increase from 13.27 percent at the end of 2016.

Net Profit of Thanachart Group (Million Baht)



In 2017, net profit attributable to the Company was 7,001 million baht, an increase of 988 million baht or 16.43 percent from the previous year. Earning per share (EPS) was 6.01 baht, an increase from 5.16 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company’s shareholders were at 1.45 percent and 11.80 percent respectively.

## Summary of Key Operating Results

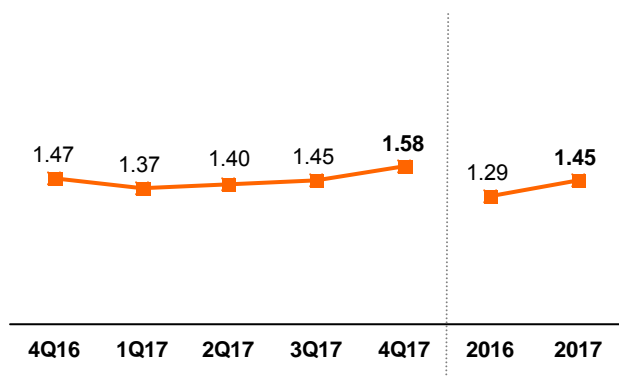
Summary of key operating results in **2017 comparing with those of 2016** is as follows:

- Net profit of Thanachart Group increased by 13.72 percent, due to an increase in income base as well as efficient management of operating cost and loan quality.
- Net profit of the Company increased by 16.43 percent.
- Net interest income increased by 2.47 percent from a growth of loans and an appropriate management of deposit costs which resulted in an increase in interest spread from 2.86 percent to 2.90 percent.
- Non-interest income increased by 9.57 percent, mainly from an increase in gains on investments.
- Operating expenses decreased by 0.90 percent, due to a decrease in premises and equipment expenses as well as the effective cost management.
- Pre-provision operating profit (PPOP) increased by 10.48 percent.
- Impairment loss of loans expenses increased by 0.42 percent from suitable risk management amid growing loan volume.

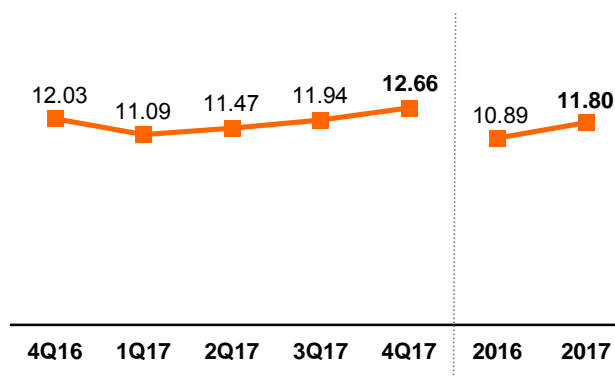
## Net Profit (Million Baht)

Audited Financial Statements	For the 3 months ended			For the year ended	
	31-Dec-17	30-Sep-17	31-Dec-16	31-Dec-17	31-Dec-16
<b>Net Profit (Million Baht)</b>					
Profit for the Period	3,973	3,638	3,552	14,341	12,611
Net Profit Attributable to the Company	1,936	1,788	1,695	7,001	6,013
Net Profit Attributable to Non-controlling Interest	2,037	1,850	1,857	7,340	6,598
Basic Earning per Share (Baht)	1.66	1.53	1.45	6.01	5.16

## ROAA (Percent)



## ROAE\* (Percent)



\*Equity attributable to the Company's shareholders

## Net Interest Income

## Net Interest Income (Million Baht)

	4Q17	3Q17	Change		2017	2016	Change	
			+ / (-)	%			+ / (-)	%
<b>Interest Income</b>	<b>11,255</b>	<b>11,485</b>	<b>(230)</b>	<b>(2.00)</b>	<b>44,681</b>	<b>45,208</b>	<b>(527)</b>	<b>(1.17)</b>
Interbank and Money Market Items	434	432	2	0.46	1,391	1,347	44	3.27
Investments for Tradings	55	62	(7)	(11.29)	238	220	18	8.18
Investments for Debts Securities	695	777	(82)	(10.55)	3,191	3,571	(380)	(10.64)
Loans	4,370	4,626	(256)	(5.53)	17,786	18,362	(576)	(3.14)
Hire Purchase and Financial Leases	5,701	5,588	113	2.02	22,075	21,708	367	1.69
<b>Interest Expenses</b>	<b>3,916</b>	<b>3,975</b>	<b>(59)</b>	<b>(1.48)</b>	<b>15,511</b>	<b>16,740</b>	<b>(1,229)</b>	<b>(7.34)</b>
Deposits	2,279	2,251	28	1.24	8,698	9,525	(827)	(8.68)
Interbank and Money Market Items	199	221	(22)	(9.95)	791	741	50	6.75
Fund Contributed to FIDF and DPA	863	851	12	1.41	3,348	3,326	22	0.66
Debts Issued	573	650	(77)	(11.85)	2,666	3,141	(475)	(15.12)
Borrowing Fee	2	2	-	-	8	7	1	14.29
<b>Net Interest Income</b>	<b>7,339</b>	<b>7,510</b>	<b>(171)</b>	<b>(2.28)</b>	<b>29,170</b>	<b>28,468</b>	<b>702</b>	<b>2.47</b>

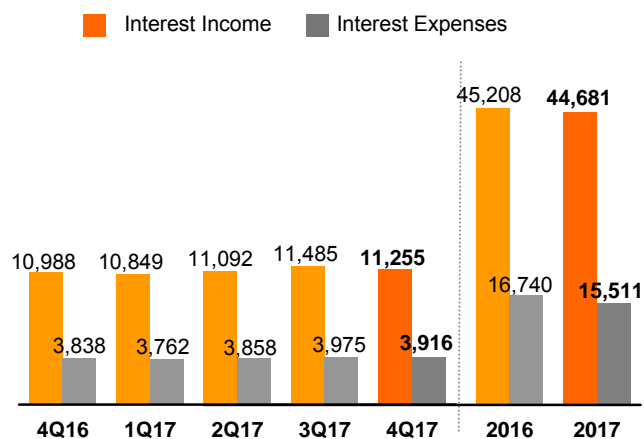
In 2017, the Company and its subsidiaries had 29,170 million baht in net interest income, an increase of 702 million baht or 2.47 percent from the previous year. Interest Spread was at 2.90 percent, an increase from 2.86 percent.

- Interest income amounted to 44,681 million baht, a decrease of 527 million baht or 1.17 percent. This was mainly due to lower yield on earning assets from lower loan yield of TBANK following the market interest rate trend.
- Interest expenses amounted to 15,511 million baht, a decrease of 1,229 million baht or 7.34 percent. This was due mainly to the effective cost of fund management under TBANK's strategy to manage liquidity.

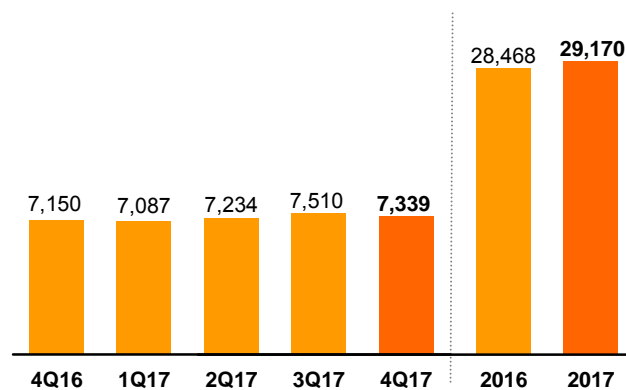
## Yield, Cost of Fund, and Interest Spread (Percent)

	4Q17	3Q17	2Q17	1Q17	4Q16	2017	2016
Average Policy Interest Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Yield	4.76	4.89	4.83	4.77	4.83	4.80	4.92
Cost of Fund	1.89	1.93	1.92	1.88	1.91	1.90	2.06
Interest Spread	2.87	2.96	2.91	2.89	2.92	2.90	2.86

## Interest Income and Interest Expenses (Million Baht)



## Net Interest Income (Million Baht)



## Non-interest Income

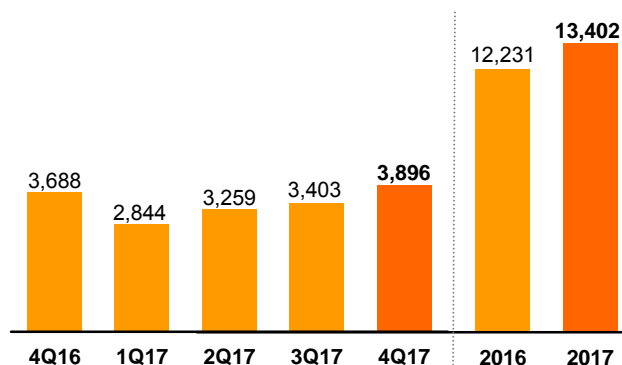
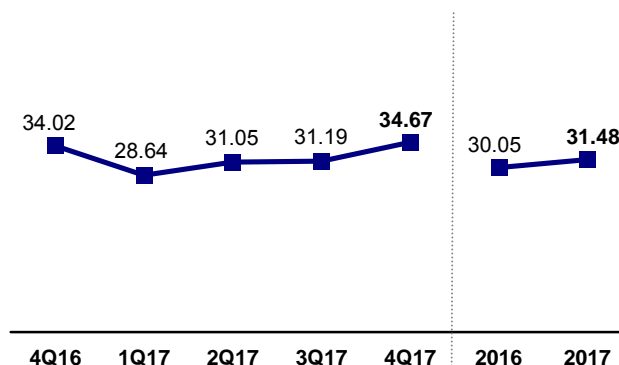
## Non-interest Income (Million Baht)

	4Q17	3Q17	Change		2017	2016	Change	
			+ / (-)	%			+ / (-)	%
<b>Net Fees and Service Income</b>	<b>1,667</b>	<b>1,449</b>	<b>218</b>	<b>15.04</b>	<b>5,890</b>	<b>5,888</b>	<b>2</b>	<b>0.03</b>
Gains on Trading and F/X Transactions	174	162	12	7.41	665	459	206	44.88
Gains on Investments	781	586	195	33.28	1,908	1,061	847	79.83
Share of Profit from Investments Accounted for under Equity Method	68	89	(21)	(23.60)	337	395	(58)	(14.68)
Net Insurance / Life Insurance Income	764	694	70	10.09	2,605	2,659	(54)	(2.03)
Dividend Income	67	90	(23)	(25.56)	557	496	61	12.30
Other Income	375	333	42	12.61	1,440	1,273	167	13.12
<b>Total Other Operating Income</b>	<b>2,229</b>	<b>1,954</b>	<b>275</b>	<b>14.07</b>	<b>7,512</b>	<b>6,343</b>	<b>1,169</b>	<b>18.43</b>
<b>Total Non-interest Income</b>	<b>3,896</b>	<b>3,403</b>	<b>493</b>	<b>14.49</b>	<b>13,402</b>	<b>12,231</b>	<b>1,171</b>	<b>9.57</b>

**Non-interest income of the Company and its subsidiaries in 2017 amounted to 13,402 million baht, an increase of 1,171 million baht or 9.57 percent from the previous year. This was mainly due to the following.**

- Net fees and service income amounted to 5,890 million baht, an increase of 2 million baht or 0.03 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 7,512 million baht, an increase of 1,169 million baht or 18.43 percent. This was mainly due to an increase in gains on investments of 847 million baht which was partly from selling shares of MBK Public Company Limited.

As a result, non-interest income ratio of 2017 was at 31.48 percent, an increase from 30.05 percent of the previous year.

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

	4Q17	3Q17	Change		2017	2016	Change	
			+ / (-)	%			+ / (-)	%
Employee's Expenses	2,872	3,024	(152)	(5.03)	12,202	11,876	326	2.75
Premises and Equipment Expenses	704	716	(12)	(1.68)	2,835	3,081	(246)	(7.98)
Taxes and Duties	182	195	(13)	(6.67)	746	775	(29)	(3.74)
Directors' Remuneration	13	12	1	8.33	93	82	11	13.41
Other Expenses	867	1,292	(425)	(32.89)	4,960	5,211	(251)	(4.82)
<b>Total Other Operating Expenses</b>	<b>4,638</b>	<b>5,239</b>	<b>(601)</b>	<b>(11.47)</b>	<b>20,836</b>	<b>21,025</b>	<b>(189)</b>	<b>(0.90)</b>

In 2017, other operating expenses of the Company and its subsidiaries amounted to 20,836 million baht, a decrease of 189 million baht or 0.90 percent from the previous year. This was due to a decrease in premises and equipment expenses as well as the effective cost management. As a result, cost to income ratio in 2017 was 48.94 percent, a decreased from 51.66 percent of the previous year.

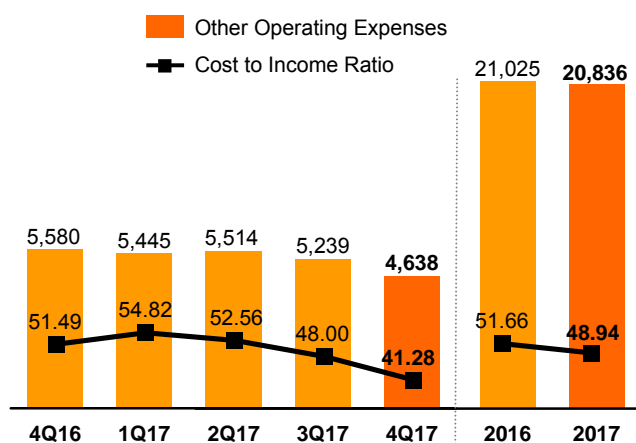
**Impairment Loss of Loans and Debt Securities****Impairment Loss of Loans and Debt Securities (Million Baht)**

	4Q17	3Q17	Change		2017	2016	Change	
			+ / (-)	%			+ / (-)	%
Impairment Loss of Loans and Debt Securities	2,319	1,696	623	36.73	6,236	6,210	26	0.42
Credit Cost (%)	1.17	0.89	0.28	31.46	0.79	0.86	(0.07)	(8.14)

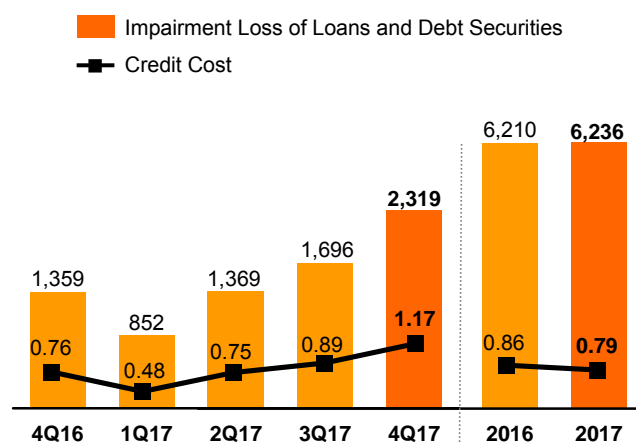


In 2017, the Company and its subsidiaries had impairment loss of loans and debt securities amounting to 6,236 million baht, an increase of 26 million baht or 0.42 percent from the previous year. Credit cost was at 0.79 percent, a decrease from 0.86 percent. This was from the effective risk management and ability to maintain asset quality appropriately amid the expansion of loans.

#### 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)

	31 December 2017		31 December 2016		Change	
	Amount	%	Amount	%	+/(−)	%
Cash	11,453	1.12	12,077	1.25	(624)	(5.17)
Interbank and Money Market Items-net	95,918	9.35	48,734	5.04	47,184	96.82
Investment-net	178,703	17.42	186,928	19.33	(8,225)	(4.40)
Investment in Associated Company-net	2,827	0.28	2,890	0.30	(63)	(2.18)
Loans	712,761	69.50	692,046	71.58	20,715	2.99
Accrued Interest Receivables	601	0.06	631	0.06	(30)	(4.75)
Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	(24,518)	(2.39)	(25,155)	(2.60)	637	(2.53)
Property foreclosed-net	4,747	0.46	4,992	0.52	(245)	(4.91)
Intangible Assets Acquired in a Business Combination-net	677	0.07	1,060	0.11	(383)	(36.13)
Goodwill	17,637	1.72	17,439	1.80	198	1.14
Other Assets	24,719	2.41	25,225	2.61	(506)	(2.01)
<b>Total Assets</b>	<b>1,025,525</b>	<b>100.00</b>	<b>966,867</b>	<b>100.00</b>	<b>58,658</b>	<b>6.07</b>
Deposits	716,091	69.83	676,456	69.96	39,635	5.86
Interbank and Money Market Items	82,343	8.03	65,701	6.80	16,642	25.33
Debt Issued and Borrowings	51,596	5.03	61,704	6.38	(10,108)	(16.38)
Other Liabilities	45,425	4.43	43,155	4.46	2,270	5.26
<b>Total Liabilities</b>	<b>895,455</b>	<b>87.32</b>	<b>847,016</b>	<b>87.60</b>	<b>48,439</b>	<b>5.72</b>
Company's Shareholders' Equity	62,020	6.05	56,891	5.89	5,129	9.02
Non-controlling Interests	68,050	6.63	62,960	6.51	5,090	8.08
<b>Total Shareholders' Equity</b>	<b>130,070</b>	<b>12.68</b>	<b>119,851</b>	<b>12.40</b>	<b>10,219</b>	<b>8.53</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,025,525</b>	<b>100.00</b>	<b>966,867</b>	<b>100.00</b>	<b>58,658</b>	<b>6.07</b>
Book Value per Share (Baht)	53.23		48.83			

## Assets

As of 31 December 2017, Thanachart Group's total assets amounted to 1,025,525 million baht, an increase of 58,658 million baht or 6.07 percent from the end of 2016. Key factors are as follows:

- Net interbank and money market amounted to 95,918 million baht, an increase of 47,184 million baht or 96.82 percent from the end of last year due to liquidity management.
- Net investment amounted to 178,703 million baht, a decrease of 8,225 million baht or 4.40 percent from the end of last year. This was mainly due to an appropriate management of investment yield.
- Loans amounted to 712,761 million baht, an increase of 20,715 million baht or 2.99 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 31 December 2017 **were 895,455 million baht, an increase of 48,439 million baht or 5.72 percent** from the end of 2016. The key items were as follows:

<b>Deposits (Million Baht)</b>						
	<b>31 December 2017</b>		<b>31 December 2016</b>		<b>Change</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>+/(-) %</b>	
Current	11,953	1.67	11,421	1.69	532	4.66
Savings	295,390	41.25	296,885	43.89	(1,495)	(0.50)
Fixed Deposits						
Less than 6 Months	36,529	5.10	39,442	5.83	(2,913)	(7.39)
6 Months and up to 1 Year	63,772	8.91	93,129	13.77	(29,357)	(31.52)
Over 1 Year	165,942	23.17	110,086	16.27	55,856	50.74
Certificate of Deposits	142,505	19.90	125,493	18.55	17,012	13.56
<b>Total Deposits</b>	<b>716,091</b>	<b>100.00</b>	<b>676,456</b>	<b>100.00</b>	<b>39,635</b>	<b>5.86</b>

- Deposits were 716,091 million baht, an increase of 39,635 million baht or 5.86 percent from the end of the previous 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 42.92 percent, a decrease from 45.58 percent at the end of the previous year.
- Interbank and money market items were 82,343 million baht, an increase of 16,642 million baht or 25.33 percent from the end of the previous year. This was due to liquidity management.
- Debt issued and borrowings amounted to 51,596 million baht, a decrease of 10,108 million baht or 16.38 percent from the end of the previous year. This was mainly due to the early redemption of TBANK's Tier II subordinated debentures.

## **Shareholders' Equity**

**Total shareholders' equity** as of 31 December 2017 **was 130,070 million baht, an increase of 10,219 million baht or 8.53 percent** from the end of 2016. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 62,020 million baht, an increase of 5,129 million baht or 9.02 percent. This was mainly from an increase in operating profit attributable to the Company in the year 2017 amounting to 7,001 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 68,050 million baht, an increase of 5,090 million baht or 8.08 percent, mainly from the operating results of subsidiary companies.

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

#### **NPLs**

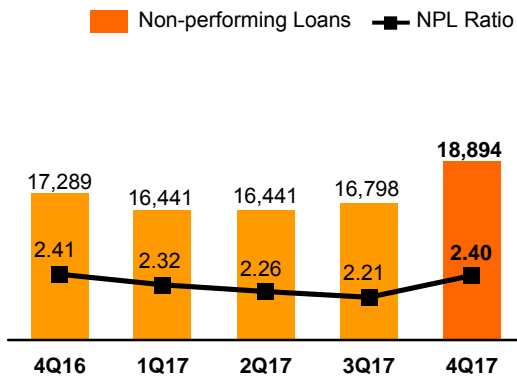
	TCAP (Consol.)				
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
NPL-gross (Million Baht)	18,894	16,798	16,441	16,441	17,289
Total Allowance* (Million Baht)	24,762	24,037	23,461	25,011	25,378
NPL-gross to Total Loans (%)	2.40	2.21	2.26	2.32	2.41
NPL-net to Total Loans (%)	1.23	1.06	1.07	1.12	1.12
Reserve to Required Reserve (%)	170.48	171.97	176.91	194.43	189.19
Coverage Ratio (%)	131.06	143.09	142.70	152.12	146.79

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

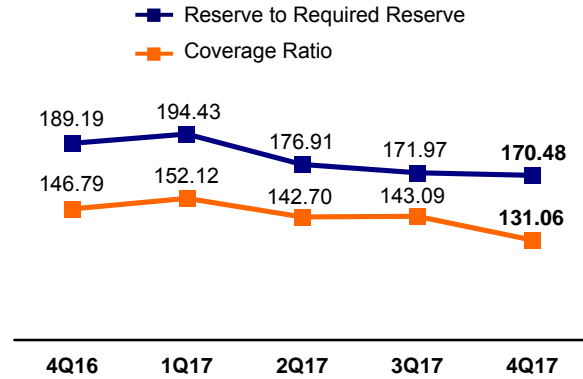
Under the market and economic conditions that continued to gradually recover, the Company and its subsidiaries still placed strong emphasis on managing NPLs through systematic and effective control. **NPLs** as of 31 December 2017 **amounted to 18,894 million baht, an increase of 1,605 million baht or 9.28 percent** from the end of the previous year. The increase was from the default of a large corporate loan. However, **non-performing loans to total loans to customers (NPL Ratio) at the end of the year 2017 was at 2.40 percent**, a decrease from 2.41 percent at the end of the previous year. Non-performing loans after deducting reserve (NPL-net) amounted to 9,557 million baht while the ratio of NPL-net to total loans was at 1.23 percent.

**Coverage ratio at the end of December 2017 was at 131.06 percent**, a 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 170.48 percent at the end of 2017, a decrease from 189.19 percent from the end of 2016. Excess reserve was 10,237 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)				
		4Q17	3Q17	4Q16	2017	2016
Thanachart Bank Public Company Limited Consolidated Financial Statements*		3,674	3,533	3,230	13,810	12,434
Thanachart Securities Public Company Limited	50.96%	215	134	215	609	662
Thanachart Fund Management Company Limited	38.22%	112	107	84	426	355
Thanachart Insurance Public Company Limited	50.96%	263	333	231	1,051	1,005
TS AMC Company Limited	50.96%	30	53	(19)	210	189
Ratchthani Leasing Public Company Limited	33.22%	320	302	237	1,126	881
NFS AMC Company Limited	100.00%	(19)	-	88	24	55
MAX AMC Company Limited	83.44%	(10)	5	34	45	92
MBK Life Assurance Public Company Limited	51.00%	104	(24)	291	30	122

\* 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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